

# **Social Enterprise Policy in the United Kingdom**

**2006-2016**

A critical analysis of the political, economic and social context

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## ABSTRACT

Social enterprise is an important policy instrument. This study addresses how the context of social enterprise shaped policy agendas and developments in political, economic and social circumstances in the United Kingdom from 2006 to 2016. Containing a detailed examination of the policy documents and parliamentary debates, the thesis examines how social enterprise was utilised in the policy agenda. The research is based on document analysis. The data included Hansard transcripts, government policy documents, and documents published by the social enterprise sector.

Three social enterprise policy themes are presented: 'community empowerment', 'social investment', and 'partnership'. The purpose of this is to address political pressures, economic circumstances and social issues for the above-mentioned 10-year period. Findings from each strand are identified and classified. From political debates, there were framings of social enterprise in social economy and civil society; support for social enterprise by enacting legislation and funding; and application of social enterprise into health care and disability employment. With regard to the economic context, supporting social enterprise has been categorised in order to regenerate the local economy and improve the business environment. In terms of the social context, partnership, trust and social outsourcing are brought to the fore of the social enterprise policy.

These themes clarified social enterprise emergence and the three contexts. This research contributes to understanding social enterprise in the policy system. Practically speaking, this thesis provides specific examples of policy implementation in relation to social enterprises.



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## DECLARATION

I declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.



# CHAPTER 1

## INTRODUCTION

### BACKGROUND

Over the last two decades, social enterprise has been noted as a hybrid form of organisation (Doherty, et al., 2014). Social enterprise has been used increasingly often by politicians, policy makers, social scientists and those who work in the voluntary sector. The pervasiveness of social enterprise as an actor within the policy agendas of governments seems to suggest that the current period is generating a wide range of problems, which must be tackled by hybrid organisations.

From 2006, discussion began regarding the Public Service Reform in order to prevent increased public spending and to secure public service quality through the social enterprise sector. With regards this discussion, social enterprise was a core concept of the reform process. In 2010, social enterprise was also in the spotlight as an important actor of the Big Society agenda, which aimed to address social and economic issues in communities.

The first section of this chapter provides an outline of the thesis and a summary of the subsequent chapters. It then moves on to present the main aims and objectives of this research, following which there is a description of the significance and scope of the research; the present chapter is then concluded.

### OUTLINE OF THESIS AND CHAPTER SUMMARIES

This study addresses social enterprise policy and context in the United Kingdom from 2006 to 2016. It aims to develop policy themes for social enterprise in political, economic and social contexts, by using policy documents and parliamentary records in the UK as written data to explore broader issues and information relating to social enterprise development. The research began in October 2014, and concluded in autumn 2017. A thematic approach was adopted to address the aims and objectives, using a qualitative research design with three main strands: review of debates from Hansard Online; review of the policy documents relating to social enterprise; review of the social enterprise sector published documents.

An outline of the thesis is as follows:

- (Chapter 2) Understanding the concept of social enterprise in terms of the relationship between the public and private sector; theoretical framing is used to explain the legitimacy and rationale of social enterprise;
- (Chapter 3) Examining and exploring the third sector, namely history and policies, in the UK before 2006;
- (Chapter 4) Developing the research method, illustrating the research design and approaches, and setting out a framework for the analysis;
- (Chapter 5) Exploring the political debates surrounding, and agendas of, social enterprises while also identifying the main themes of said debates;
- (Chapter 6) Producing social enterprise policy themes under a government economic strategy;
- (Chapter 7) Identifying social enterprise policy themes to address social issues during the period;
- (Chapter 8) Concluding the thesis with synthesised findings and discussions.

## METHODOLOGY AND DATA COLLECTION METHOD

This thesis relies on the principles of qualitative research. Both the deductive and inductive processes were used within the analysis stages, although the final themes were generated by the inductive process.

Grounded theory is the main theoretical lens used to frame the design, which uses document analysis (Bowen, 2009). However, as will be explained in Chapter 4, several methods are used to analyse data and materialise findings. Grounded theory, as summarised by Strauss and Corbin (1990), is described as “inductively derived from the study of the phenomenon it represents. That is, it is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon” (cited in Bowen, 2009, p. 34).

With regard to the analytic procedure, document analysis was used to develop policy themes related to social enterprise. To examine the social enterprise agenda in the political context (Chapter 4), content analysis was introduced to identify the themes. For the

remaining analysis chapters concerning social enterprise policy in the economic and social context, a thematic analysis process was employed. As described by Fereday and Muir-Cochrane (2006), the chapters generated finalised themes which became the categories for analysis; these were generated by the pattern recognition process.

In the process of analysis, there is a notable challenge to overcome. This research began in 2006, during the third term of New Labour, at which time there was increasingly intense discussion on public service reform aimed at revitalising the economy and improving the quality of public services. In terms of the collected policy documents and debates which were used for data, the majority of the materials were produced after 2010, when the Big Society policy was released. Moreover, most academic materials pertaining to social enterprise in this period were published by economics or business management departments focusing on organisational features, functions, and financial perspectives. Consequently, there exist no advanced studies which directly address social enterprise policy. Indeed, critical challenges in this regard include a lack of academic literature on social enterprise policy, and a dearth of collected data.

A detailed explanation of the research design is provided in Chapter 4 as part of the methodology review.

## **POSITIONING THE RESEARCH**

Definitional debates and case studies regarding the role of social enterprise have commonly featured in research carried out in the academic field of social enterprise. A policy review can help to explain which functions, features and roles of social enterprise are practically valued in political, economic and social contexts during a particular period, and can develop practical features of social enterprise.

In terms of policy analysis, this research is useful for policy makers, as it provides a detailed analysis of the shaping of social enterprise policy. The thesis will also make it possible for social scientists who are interested in social enterprise and policy analysis to provide further contributions to the academic literature.



## CHAPTER 2

### BACKGROUND AND RATIONALE FOR SOCIAL ENTERPRISE DEVELOPMENT

#### INTRODUCTION

The purpose of this Chapter is to discuss theories of social enterprise and to offer a critical assessment of these. In mainstream social enterprise discussion, it is customary to understand social enterprises as versatile organisations in terms of pursuing both social goals and generating revenue, which means that social enterprise roles are beyond the accepted understanding of government, market and voluntary sectors. Austin, et al (2006) calls it a hybrid organisation and Weisbrod (1988), Salamon (1995) and Hansmann (1987) describe it as a new alternative concept that has emerged to fill the gap between the sectors.

There is, however, a growing acknowledgement of the limitation of social enterprise capacity caused by a lack of mobilization of resources, the relatively small organisational size, and unconsented definition. In addition, the double-bottom line which is regarded as an ideal concept of social enterprise has not been seen as sustainable because of less capacity around generating profits and achieving social purpose. Nonetheless social enterprises continue to increase, and the concept of social enterprise is spreading in the social business field globally.

In this Chapter, I firstly discuss how the concept of social enterprise has developed in particular social and economic circumstances in several countries. In doing so, social enterprise history will give evidence about what social enterprise is and what social enterprises have done.

Secondly, I explore the basic concept and the current roles of social enterprise focusing on the hybridity of social enterprise and features caused by hybridity.

Then, I will suggest main argument of this Chapter that social enterprise has to be understood in both an institutional perspective and functional aspects. Functionalistic theory can explain the legitimacy and the features of social enterprise in functional perspective, but it has limits while describing an efficient and economic view. For example, social enterprise is referred to as a concept that has emerged by economic concerns of

limitations of capitalism as seen in 'state', 'market' and 'voluntary' failures in the theory. This explanation, however, overlooks the motivation of psychological factors such as social entrepreneurship and has less emphasis on institutional influences emerging and developing social enterprise. On the contrary, institutional theory embraces other societal factors, and emphasizes social circumstance of organisation and its history, thereby making explanations of social enterprise more pluralistic and diverse.

## HISTORICAL BACKGROUND OF SOCIAL ENTERPRISE

Bellanca (2013) describes the market economy, which is represented to efficient, as "dis-equilibria and evident inequalities can be interpreted as an equalitarian system in which each subject is rewarded according to its merits" (Graziani, 1981, p. 9), and he cites the work of Lerner (1972) which asserts political problem is solved by economic transition by disappearing asymmetries of power (p. 259).

For over two decades, social enterprise movements have taken on growing importance due to pursuing a double bottom line. The origin of social enterprise movement can be explained in two ways: emerging from an American background which derived from non-profit influences, and European one based on cooperative firm. What specific factors lead to the development of social enterprise in each country? The term social enterprise was first used in Italy during the 1980s (Borzaga, et al., 2009) and during the 1990s, such terminology became widespread in Western Europe and the USA (Defourny & Kim, 2011). However, regional and national differences contributed to different characteristics of social enterprise and the label meant slightly different things across countries and spurred various types of social enterprise. Exploring this issue is important for understanding the concept of social enterprise and its key features. Although there is no firmly accepted model that captures the nature and rise of social enterprise, three major models of social enterprise are identified as fitting regional characteristics within Europe, US, and Asia.

Firstly, beginning in the 1960s, US non-profits experimented with enterprises to create jobs for disadvantaged populations (Alter, 2007). These types of business become more prominent in the US during the late 1970s and 1980s in response to the economic downturn and major cutbacks in government spending (Doeringer, 2010). At about the same time Community Development Corporations (CDCs) were gaining popularity in the United States (Alter, 2007). American social enterprise is generally much broader and tends to be focusing on enterprise for the purpose of revenue generation (Kerlin, 2006).

The US model of social enterprise places social enterprise more towards the business side of the typology (Kerlin, 2010), and is strongly related to non-profit organisations (Galera & Borzaga, 2009; Defourny & Nyssens, 2010). Many scholars (Dees, 1998; Defourny & Nyssens, 2010; Ridley-Duff & Bull, 2011) describe US-style activity as social entrepreneurship to emphasize the function of the business sector: “US-style ‘social entrepreneurship’ has strong links with philanthropy, whereby money raised from wealthy individuals and government grants supports ‘non-profit’ organisations that act in the public interest” (Dees, 1998; cited in Ridley-Duff & Bull, 2011, p. 60). Development of US social enterprises were originally driven by government cuts in funds for supporting non-profit organisations (Dees, 1998; Kerlin, 2010). As non-profits in the US relied on the government’s subsidies and private sector donations, there was stronger interest in generating revenue (Galera & Borzaga, 2009). Although it shares features with the European model, including tackling the challenges of recession starting in the 1990s (Defourny & Nyssens, 2010) and a role in improving inequality and unemployment, social enterprises in the US has distinctive features. As Table 1 shows, social enterprises in the US are closer to the market economy and focus more on their organisational sustainability and emphasize the sustainability of non-profit activities (OECD, 2006; Alter, 2007; Kerlin, 2010). Moreover, the organisation form of social enterprise is a commercial company which is categorized as a traditional business sector even though many of them still remain non-profit organisations (Kerlin, 2010).

One representative example of American social enterprise is Goodwill Industries, established in 1902 by Edgar J. Helms (Doeringer, 2010). As a Methodist minister, he started this organisation in Boston, Massachusetts to collect goods donated from the wealthy and to hire poorer city residents to repair and sell the goods (Doeringer, 2010). It was a way to fund his community programmes and provide job training for people in disadvantaged communities (Doeringer, 2010).

Non-profit organisations have long engaged in income generation and businesses to either supplement or complement their mission activities (Alter, 2007). The growing practice of social enterprise, however, triggers non-profit organisations’ quest for sustainability. Non-profits need to shed their old way of operating derived by traditional, philanthropic means while government sources of funding is declining and competition for available fund is increasing (Alter, 2007). Social enterprise was an ideal method to enable non-profits to expand vital services to their constituents while moving the organisation toward self-

sufficiency in 1980s (Alter, 2007; Kerlin, 2006). Becoming social enterprise, non-profit organisation leaders started to understand establishing and independent means of financing can they become a going concern (Alter, 2007).

In the US cases, social enterprise has a special feature of generating profit, because non-profit organisations in the 1960s-1980s were defined as not allowing any profit distribution (Kerlin, 2006). This definition restricts non-profit activity, and non-profits cannot help having limited funding structure which can be affected to non-profit activities. Social enterprise appears to be more close to market than non-profit organisations due to free to act by their own source of funding.

Secondly, in Europe, the social enterprise model is referred to as the socio economic model embedded in the third sector (Defourny & Nyssens, 2008; Defourny & Nyssens, 2010). It is associated with social enterprise firms with similar functions as traditional cooperatives which began to fund socio-economic agendas as early as the mid-1800s (Alter, 2007). Voluntary action to alleviate unemployment, poverty and polarisation was identified by socio-economic organisations (Kerlin, 2010), and the Italian cooperative movement was magnified as an alternative system for traditional economic production. Most government was also interested in the cooperative movement given the necessity to develop public policy provision to deal with unemployment and revenue falls. The legal structure of social enterprise followed the Italian parliament adopting a law creating a specific legal form for 'social co-operatives' and the latter went on to experience extraordinary growth (Defourny & Nyssens, 2010, p. 33). From the Italian experience, the term 'social enterprise' gained institutional support within the cooperative movement and community regeneration sector (Ridley-Duff & Bull, 2011).

In Europe, the history of social enterprise is found in Victorian times (Dart, 2004; Hines, 2005; Cornelius, et al., 2008). Especially, in the United Kingdom, cooperatives functioned as a means to fund socioeconomic agendas in mid-1800s (Alter, 2007) The worker cooperative, established the first industrial co-operative society in Rochdale in 1841, was one of the first examples of a social enterprise (Irwin, n.d.; Cornelius, et al., 2008). The co-operates challenged practice of adulterating food, and over charging workers by fixing weights and measures, the Rochdale pioneers guaranteed quality and value for money and more importantly developed a business structure which allowed those that shopped with them become to members and share in the profits of the business, a practice which continues today through every co-operative store.

The UK experience reveals a particular socio-economic model with local government handling social problems alongside the voluntary sector (Salamon, et al., 2004). Responsibility for developing social programmes remains more with public authorities despite the socio-economic movement being aroused by market and government failures to cope with excluded and marginalised groups. UK social enterprises has been developed as a complementary market function, socio-economic movement based on bottom-up system rather than top down as Kerlin (2010) classified British social enterprise as interacting between state and civil society (see Table. 1) (Defourny & Nyssens, 2010). In this circumstance, social enterprises in the UK deliver services related to human services and employment rather than selling goods and services. In spite of this fact, Defourny & Nyssens (2008) illustrate that the main difference between social enterprises in the two countries is that Italian model highlights a specific governance model with various stakeholders, whereas the British model emphasis the business character of social enterprise within socio-economic circumstances.

Social enterprises prevail throughout Europe, and remain most notable in the form of social cooperatives, particularly in Italy, Spain and increasingly France (Duccie, et al., 2002; Mancino & Thomas, 2005; Cornelius, et al., 2008). The persistence of structural unemployment in many countries, the need to reduce state budget deficits and to keep them at a low level, the difficulties of traditional social policies and the need for more active integration policies have naturally raised questions of how far the third sector can help to meet these challenges and perhaps take over from public authorities in some area. There is no simple answer (Defourny, 2001).

Therefore, social enterprise in Europe is a term which indicates organisations which offer very special set of services, driven by surpluses and reinvestigates in the community (DTI, 2004), collective term for organisation that is driven by particular social and community values such as maintaining a viable businesses (WMSEP, 2004, cited in Kerlin, 2006, p. 250). It means that European social enterprises are viewed as belonging to the 'social economy' where social benefit is the main driving force rather financial matters (Kerlin, 2006).

Thirdly, the Asian model of social enterprise is characterised by diversity. Although Asian countries share Confucian culture, Buddhism, a state-driven development strategy, weak civil society, authoritarian political regime, hierarchical social relationships and gender inequality (Defourny & Kim, 2011, p. 88), social enterprise cannot be identified in one Asian model because of divergence arising from the influence of Western civilisation, ideologies

and wars. In some Asian countries civil societies formed during the 1990s - a time of financial crisis with need to also tackle unemployment (Defourny, 2001; Defourny & Kim, 2011). Especially in South Korea and Japan, the emergence and diffusion of social enterprise resulted from third sector attempts to address unemployment (Defourny & Kim, 2011). In the initial stage of social enterprise and social entrepreneurship's emergence, scholars and public servants in Japan and Korea were motivated by European and US models of social enterprise. For this reason, social enterprises in these countries reflect a mixed model of both European and US influences. Whilst Defourny & Kim (2011) argued social enterprise in Asia is different to that of the US in terms of "state influence and driving forces linked to public policy" (p. 86), there are appreciable similarities with European and US models regarding the origin of social enterprise which saw the use of commercial activity and socio-economic context (Defourny & Nyssens, 2010; see Table 1. The South Korean case is considered unique amongst Asian countries with its enactment of a clear law for social enterprise. Under this 2006 law, South Korean social enterprises have a prescribed definition set by law (Social Enterprise Promoting Act).

From Table 1, we can derive two points to begin to tentatively understand the rise of social enterprises. First, social enterprise emerged from economic aggravation and sought to deal with social problems facing disadvantaged groups, Second, most recent social enterprises are based on social economic organisation such as non-profit, co-operatives with transformed organisation. The clear distinction between European and US models is that the European model emphasizes hybridization of their resources by combining income from sales or fee, public subsidies and private donations and volunteering. In contrast, the US model refers to social enterprise as non-profit generating income against decreasing public subsidies and the limits of private grants from foundation (Defourny & Nyssens, 2008).

[Table 1] Three Models to Explain the Rise of Social Enterprise

	European		US	East Asian	
	Western	East-Central		S.Korea	Japan
	UK	Italy			
<b>Stimulated organisation</b>	State, civil society	Civil Society	Business	State	Civil Society
<b>Precedent organisation</b>	3 <sup>rd</sup> Sector Org. Mutuals Cooperatives Charities	Co-operatives	Nonprofits	Nonprofits	Nonprofits
<b>Problem dealt with</b>	Excluded and marginalised group, unemployment	Weakest classes	Inequality, unemployment	Unemployment	Unemployment
<b>Legal Framework</b>	Developed	Developed	Developing	Developed	Not yet considered
<b>SE Model</b>	Civil society (Community) /state	Civil society /Int'l Aid	Market/Civil Society	Civil society/market/state	
<b>Outcome Emphasis</b>	Social benefit	Social benefit	Sustainability	Social/economic benefit	
<b>Focused area</b>	Human services/employment	Human services /employment	Nonprofit activities	Human services/employment	
<b>Organisation Type</b>	Association/cooperative	Association /cooperative	Nonprofit/company	Nonprofit/company	

Source: Author compiled from Kerlin, 2010; Defourney & Nyssens, 2010; Defourney & Kim, 2011

## THE PRACTICE OF SOCIAL ENTERPRISE

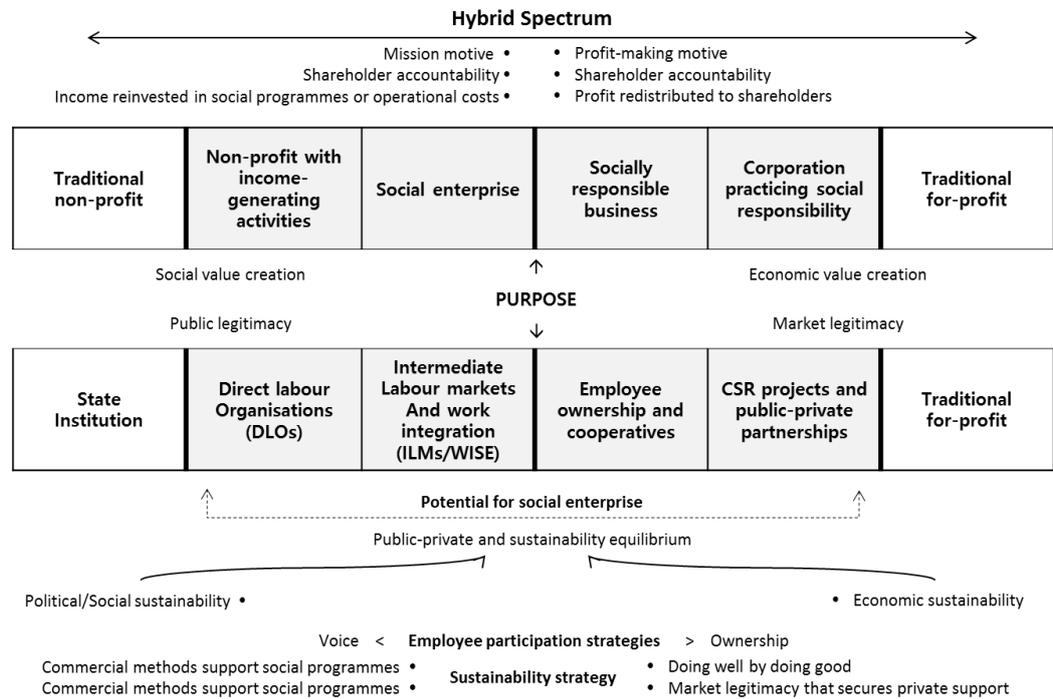
### Scope and Size of Social Enterprise

Social enterprise embraces a broad range of activity. One key distinguishing feature of social enterprise is its business focus. They trade, sell products or services (Price, 2009), and cover the spectrum from large national and international businesses to small community-based enterprises. They encompass manufacturing, recycling and refuse collection covering most areas of current businesses (SEUK, n.d.a; Harding, 2004). There is variation cross-nationally in how social enterprises are labelled: firms which share a social mission are referred to as a Social Purpose Company in Belgium, a Community Interest Company (CIC) in the UK, Social Cooperatives (Type 1 and 2) in Italy, and L3C organisation in the US (Huybrechts & Nicholls, 2012). Thus social enterprise is not characterized by any single criteria, has hybrid features, and exhibits complexity in form.

Figure 1 illustrates social enterprise as a hybrid organisation and the spectrum of non-profit, state, and for-profit organisational forms. This model was originally developed by Emerson (2005) to look at diverse dimensions of social enterprise globally. Firstly, the main difference between the right-hand side and the left-hand side in the top row concerns the motivation for creating value: traditional non-profit organisations are motivated by having a mission to accomplish social goals, whereas for-profit entities are motivated by profit-making and distribution of dividends to shareholders (Martin and Thompson, 2010). On the other side, traditional non-profits generate revenue as rewards of their services or fundraising, and for-profits are formulating social value by corporate social responsibility (CSR) and socially responsible business (Alter, 2007). Between the poles lies social enterprise which aims to create social impact and to generate income for the sustainability of the organisation (Alter, 2007).

A second perspective when examining social enterprise is to relate it to labour markets and employment (Di Domenico et al., 2009 cited in Teasdale, 2010). One the most influential driving factors for social enterprise to employ disadvantaged people is public policy with public subsidies to promote a pleasant environment for employment (Campi, et al., 2006). The bottom row in Figure 1 shows social enterprise lying between state and for-profit in terms of labour market characteristics. Tracing back to the 1980s, most developed western countries were faced with high rates of unemployment, a crisis in public expenditure and a lack of labour policy success in integrating unemployed labour within labour markets (Laville, et al., 2006, p. 272). One method state institutions adopted to deal with unemployment was through interacting with social actors, rather than government subsidizing unemployed people of institutions directly. On the bottom left side hand the traditional for-profit sector faced great pressure to embrace 'business ethics' as a result of globalisation (Doherty, et al., 2009). Continuous focus on business ethics to prevent sustainable development from global stakeholders generated a notion of "Corporate Social Responsibility" (CSR), and began eliciting social value in the traditional for-profit sector. There are several reasons why for-profits began to take part in CSR: a search for legitimacy; ethical norms; social accountability; operating strategy; response to social pressures; activities pertaining to government actions; legislative and political activities; and philanthropy (Doherty, et al., 2009, pp. 177-178). For labour market policy, there might be complex reasons why for-profits recruit employers via CSR schemes. The most representative explanation is that the state handles recruitment of for-profits by regulation (Moon & Vogel, 2008). Because of the limits of the traditional for-

profit sector in recruitment, another kind of corporate form – cooperative enterprise- developed into employers themselves and consumer unions (Jones & Kalmi, 2013).



[Figure 1] Hybrid Spectrum of Production and Delivery

Source: Author developed based on Alter et al., 2007; Martin and Thompson, 2010: 214; Ridley-Duff and Bull, 2011: 67, 72)

How large is a social enterprise? There are a number of ways to measure the contribution of social enterprise. The traditional perspective suggested by Ridley-Duff & Bull (2011) counts the number of social enterprises, estimating their economic contribution, and the proportion of jobs created as well as the alternative model counting the number within the traditional voluntary sector (DETITE, 2013). To explore these matters comparatively, we examine the UK, Italy, US and South Korea, countries located in different cultural regions and which have sustained social enterprise activity, but have different historical trajectories and socio-economic circumstances (Kerlin, 2006; Galera & Borzaga, 2009; Kerlin, 2010; Defourny & Kim, 2011; Spear, et al., 2014).

Table 2 highlights the features of social enterprise in particular countries: number, economic contribution and proportion of employment. Taking the UK, there were between 62,000-68,000 social enterprises in 2013 out of a total number of 2,167,580 enterprises (Floyd, 2013; ONS, 2014). Social enterprises make up between 2.9-3.1 percent of the total

number of enterprises in the UK, and economic contribution was estimated to be 6.3 percent in 2003 (Floyd, 2013; ONS, 2013b). Social enterprise contributed 0.4 percent of the total employment of the UK business sector (ONS, 2013a). Italy has a smaller social enterprise sector contribution with 0.8 percent of the economy identified as social enterprise units in 2005. Social enterprises' contribution towards the national economy was 0.24 percent of employment - only 230,000 compared with 1,000,000 total employments in social enterprise in the UK. Looking at South Korea, there were 1,251 social enterprises in 2015, up from 828 in 2013 (KSEPA, 2013, 2015) constituting 0.02 percent of the total number of businesses. In the US, there is no data counting the number of social enterprise, however social enterprise creates 0.01 percent of jobs and contributes 3.5 percent of economic output (BLS, 2015).

Across these countries, social enterprise would appear to be a relatively insignificant part of the economy. However, it is problematic to estimate the contribution of social enterprise from these fragmentary data for two reasons. Firstly, the exercise of measuring social enterprises is often inaccurate because of the broad range of concepts labelled as social enterprise. For instance, in South Korea, a social enterprise is only counted where it is a firm registered with the Ministry of Employment and Labor and other firms which have a social mission are not captured in the social enterprise statistics. Given each country defines social enterprise activity in accordance with cultural and social background, and social enterprise performs a different role in each country, statistical data measuring social enterprise is prone to both underestimates and overestimates. Secondly, it is not possible to measure the value of social enterprise by looking solely at its economic contribution, since social enterprise is not simply an organisation focused on generating profit.

[Table 2] The Size of Social Enterprise in Four Countries

	<b>UK (2013)</b>	<b>Italy</b>	<b>US (2012)</b>	<b>S. Korea(2013)</b>
<b>Number (Portion)</b>	62,000 - 68,000	7300	-	828
	2.9%-3.1%	0.8%	-	0.02%
<b>Economic contribution</b>	6.3%	0.23%	3.5%	-
<b>Employment</b>	0.4%	-	0.01%	-

## **The distinctive features of social enterprise**

Although it is clear that the concept of social enterprise covers a wide spectrum, there are similarities concerning its organisational structure and operating system that differentiate it from other organisations. Firstly, the most general feature of social enterprise as distinct from the business sector is that social enterprises aim to achieve both social mission and profit simultaneously (Emerson and Twersky, 2006). Ridley-Duff & Bull (2011, p. 66) called this the “double-bottom line” which practises both altruism and commercial discipline and Martin & Thompson (2010) argues that there is a triple bottom line: social aims, social ownership and enterprise. However, there are ongoing debates whether this theory is adoptable in the commercial environment and how it is best understood. Norman & Macdonald (2004) pointed out the bottom line theory might be rhetoric that is unhelpful to business circumstance, since it deviates from common economic rules. Indeed, Harding (2004) identifies that the unique features of social enterprise are its trading viability combined with social aims and social ownership (Dees, 1998). It means social enterprises are regarded as traditional business firms who merely re-invest their surpluses for community purpose rather maximising profit to their shareholders. Alter’s (2007) suggestion gives more detailed features of social enterprise outlining 9 characteristics of dual value creation enterprise as below (p. 15).

- Use business tools and approaches to achieve social objectives;
- Blend social and commercial capital and methods;
- Create social and economic value;
- Generate income from commercial activities to fund social programmes;
- Market-driven and mission-led;
- Measure financial performance and social impact;
- Meet financial goals in way that contributes to the public good;
- Enjoy financial freedom from unrestricted income;
- Incorporate enterprise strategically to accomplish mission;

Distinguishing social enterprise from civil society may be difficult because many social enterprises are based on the civil society organisations, coverage may overlap, and aims and management systems may be analogous. However there are some attempts to identify distinguishing features aside from civil society. Firstly, Bacchiega & Borzaga (2001) claimed social enterprises' unique distinction is the production of service. The trend of recognizing social enterprises via the cooperative formula was marked by the acknowledgment of specific activities (supply of social services or work integration) carried out beyond the boundaries of the cooperative membership (Borzaga & Galera, 2012). This trend undermines the traditional model of cooperatives, which is based on a single stakeholding system and it is supposed to promote the interests of its members (Levi, 1999).

Secondly, Defourny (2001) argues for social enterprise as a distinctive organisation as below.

- Social enterprise produces goods and sells services and so contrasts a non-profit focus on the redistribution of financial flows indirectly by advocacy activities;
- Social enterprise must have a minimum number of paid workers, even though utilising monetary and non-monetary resources in the same way as non-profit;
- Social enterprise shares its benefit within the community. As social enterprise is commonly organised and operated by community members, its vision cannot pass beyond the boundary of the community and income is invested in the community unlike wider non-profit agendas such as organisations including Greenpeace.

Thirdly, according to Laville & Nyssens (2001), social enterprise is different to traditional co-operatives in terms of "initiated by groups of citizens who seek to provide an expanded range of services and more openness toward local community" (p. 312). In addition, social enterprise places higher value on their independence and on economic risk-taking related to an ongoing activity in contrast to mutual benefit societies and traditional associations (p.312).

Finally, there are some features to distinguish social enterprise from the traditional public sector. Social enterprise has economic risks whereas public institutions can secure their resources for workers and members from public funds (Defourny, 2001). Social enterprise sustains a high degree of autonomy without any governmental interference in its activities.

## DEFINING SOCIAL ENTERPRISE

There is no single 'correct' definition which can or should be uniquely applied in all social enterprises (Kendall & Knapp, 1995; Defourney, 2001; Johnson et al., 2006; Park & Wilding, 2013). With regard to the social enterprise boundary, many institutions and processes can be placed into this category, including independent agencies, campaigns, foundations, self-help federations, semi-detached public bodies and socially-oriented businesses which work for social purposes; moreover, some of them are practically excluded. Although there have been many attempts to define social enterprise, these attempts have barely reached a definition of individual research, nor have they presented a cross-national comparison by examining the differences and similarities. The conceptual boundary between the terms social entrepreneur, social entrepreneurship and social enterprise is still blurred, with these terms being used interchangeably (Defourney & Nyssens, 2008). The labels 'social purpose business', 'civic enterprises', 'community business' and 'community wealth enterprises' are still difficult to distinguish within 'social enterprise' (Evers, 2001). Johnson et al. (2006) and Kerlin (2010) argued that this variety in labels and concepts derives from the differences among countries and regions which have contrasting legal structures, political and social backgrounds, and social economy components.

As seen in the table 3 below, the term 'social enterprise' is defined in more varied ways in the international context. Firstly, the UK government has declared that "Social Enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners" (BIS, 2011, p. 2). Most recently, in 2012, the Department of Health defined social enterprise as "a charity or community interest company; or an organisation which has provisions in its constitution which ensure that it distributes less than 50 per cent of its profit to shareholders, states that it is a body carrying out activities for the benefit of the community and has clauses that require it to pass on its assets to another social enterprise if it dissolves or winds up" (Mair, 2013). In the United States, social enterprise remains a very broad and often quite vague concept, referring primarily to market-oriented economic activities which serve a social goal (Defourney & Nyssens, 2006, p. 4). It is not mandatory to see social mission as a social enterprise (Galera, 2007). For South Korea, social enterprise is strictly defined in the Social Enterprise Promoting Act, and Korean social enterprises face less debate surrounding their identity because all government-registered social enterprises are classed under the 'social

enterprise' category as a result of their legal structure. France has employed a unique approach to social enterprise, which embraces all kinds of different work from the business sector; simply put, this means that the French social enterprise concept includes broader activities, and thus pursues different approaches to business (Galera, 2007).

It can be surmised that various organisations play a role in elements of social enterprise worldwide, and that there exist diverse boundaries to prescribe social enterprise with its specifications. Conversely, the table 3 also provides the common factors of social enterprise which most countries accept: 1) social enterprise is a business form; 2) (excepting France) it has social or public objectives to alleviate existing problems. Indeed, most social enterprise throughout the world shares these two factors.

[Table 3] Various Definitions of Social Enterprise

Definitions	
United Kingdom	Business with social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (DTI, 2002)
	The organization which has a clear social and/or environmental mission set out in their governing documents, generates the majority of their income through trade, reinvests the majority of their profits, autonomous of the state and majority controlled in the interests of the social mission, accountable and transparent (SEUK, 2014)
France	Doing business differently or working differently (Tunstall, 2014, p. 12)
United States	A 'non-profit' that generates income but remains within definition of non-profit for tax purposes (Defourny, 2001; Tunstall, 2014, p. 14)
	Any earned-income business or strategy undertaken by a non-profit to generate revenue in support of its charitable mission (Defourny & Nyssens, 2008)
South Korea	Selling goods or providing services in the market for the purpose of generating income, but the business motivation is to realize a social purpose rather than maximize profits to shareholders, and the greater part of profits earned from business activities are returned to a social purpose (KSEPA, n.d.)
European Union	Ongoing activity producing and/or selling goods and services, explicit aim to benefit the community, significant economic risk, autonomy, minimum amount of paid employment, citizen initiative, decision-making power not based on capital, participatory approach (EMES)
	Limited profit redistribution (Defourny & Nyssens, 2008)
OECD	Any private activity conducted in the public interest, organised with an entrepreneurial strategy but whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment (Humpherson, 2011)

In terms of theoretical approaches, some (Dixon & Clifford, 2007) have relied on the triple bottom line theory, while others (Ridley-Duff & Bull, 2011) have cited double bottom line theory; through these theories, social enterprise is characterised by pursuing social aims, profit generating and concerning environmental issues (solely in triple bottom line theory); this either takes the form of market-based business, or a kind of non-profit. Apart from these theories, there exists a great deal of evidence in support of these two characteristics as a commonly adopted feature. As argued by Defourny (2001), DTI (2002), Defourny and Nyssens (2010), Martin and Thompson (2010) and SEUK (2013c), a social mission refers to a traditional core element of social enterprise. Defourny and Nyssens (2010) and DTI (2002) focused on business activity which generates income as a key feature of social enterprise. Evers (2001) also suggested that social enterprises offering services for social and occupational integration or concerned with job creation, obtain a certain degree of income by sales and this often constitutes one of the reasons for calling them 'enterprises' (Evers, 2001, p. 299). One of the most proper descriptions revealing the two common factors of social enterprise is that put forth by Virtue Venture (cited in Alter, 2007): "any business venture created for a social purpose – mitigating/reducing a social problem or a market failure – and to generate social value while operating with the financial discipline, innovation and determination of a private sector business" (p. 12).

Apart from the two above-mentioned features, 'reinvesting profits in its own business or a community' is frequently discussed as a third major feature of social enterprise (DTI, 2002; Martin & Thompson, 2010; SEUK, 2013c). According to the definition provided by Spreckley (1981), social enterprise is "an enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run cooperatively" (p. 4) in the view of locality.

After taking into consideration the above-mentioned discussions, this research defines social enterprise as "businesses that sell goods and services for a social purpose and reinvest their profit in their business or a community". There are two reasons why this definition was accepted. First, I intended to adopt definitions that mostly contain UK contexts, since this research aims to explore social enterprise policy in the United Kingdom. Second, I wished to use a definition which included the most common features of social enterprise so as to encompass a wider range of organisations. Although several other minor features were mentioned in social enterprise definitions, such as social ownership, taking financial risks, and a high level of autonomy, these were excluded from the working

definition of this research. According to the definition employed, social enterprise is described as an organisation that has a mixture of goals (Evers, 2001), and new forms of social and economic action, but not for the sake of profit; instead, the aim is to benefit the community.

## THEORETICAL APPROACHES TO UNDERSTANDING SOCIAL ENTERPRISE

There are theories - economics-based theorizing and institutional theory - functionalizing social enterprise as an independent actor in current society (Dart, 2004). These theories give us understandings about what environment may trigger emergence of social enterprise, why their activity can be justified, and how it is feasible sustaining organisation. Drawing upon these theories, I will discuss about economic perspectives in the sense holds that individual act so as to satisfy preferences, failure theory (instrumental model) to make sense of emergence of social enterprise, and institutional theory in the emergence and evolution of social enterprise and the role of socio-political contexts in its rapid emergence.

At first, individuals in decision-making refer to functionality meaning that people act for a reason, a best means to an end, the satisfaction of preferences (Heap, 2013). The individual in individualistic theory is underpinned by a view that “man is capable of and subject to persuasion because he/she is, by nature, a functional being, and that, as a consequence, rhetoric is the art of reasoned discourse or argumentation” (Campbell, 1970, pp. 97-98). To do so in a sophisticated way entails a departure from the equilibrium models emphasized by neo classical economic theory (Keohane, 1988).

Secondly, system economic theory attempts to describe social enterprises in a traditional perspective. Scholars (Weisbrod, 1988; Salamon, 1995; Hansmann, 1987) tend to describe social economy organisations by drawing on failure theories in terms of lack of service delivery within market, state and voluntary sectors (Dart, 2004). In this view, social enterprise is discounted as complementary tool for fulfilling the lack, of absence and failings.

Dart (2004) cites the working of Dees, Emerson, and Economy (2001) which look at social enterprise as a functional and functional solution to public sector funding and philanthropic resource constraints. Non-profit organisations were perceived to exist because of market or governmental failure to provide services, or because clients are unable to accurately evaluate certain kinds of services and thus require organisational forms in which they can place trust (Dart, 2004, p. 412). After social enterprises emerge, functional explanation describe it as a logical and functional solution to public sector funding and philanthropic

resource constraints representing a strategically better option for organisations to fulfil their prosocial mission (Emerson and Twersky, 1996; Dees, Emerson, and Economy, 2001; Dees, 2003 cited in Dart, 2004).

Failure theory is hailed as “a way of looking at the world and a style of explanation” (Katz, 1986, p. 37).

Thirdly, social enterprise can be explained by institutional theory. Keohane (1988), as summarized by Barry (1970) and Gilpin (1981), argues that traditionally counterposed to functionalistic theory is the sociological approach to the study of institutions, which stresses the role of impersonal social forces as well as the impact of cultural practices, norms, and values that are not derived from calculations of interests (p.381). In this view, understanding how people think about institutional norms and rules, and the discourse they engage in, is as important in evaluating the significance of these norms as measuring the behaviour that changes in response to their invocation (Keohane, 1988, p. 381)

Dart (2004) suggested that institutional theory can describe the concept of legitimacy, emergence and evolution of social enterprise rather than functionalistic approaches. He attempts to explain the emergence of social enterprise with sociological understandings in a socio-political context rather than efficiency or effectiveness for primary organisational goals (Dart, 2004).

*Institutionalization is rooted in conformity – not conformity engendered by sanctions (whether positive or negative), not conformity resulting from a “black-box” internalization process, but conformity rooted in the taken-for-granted aspects of everyday life. Institutionalization operates to produce common understandings about what is appropriate and, fundamentally meaningful behaviour (Zucker, 1977, p. 728)*

The concepts of institution and institutionalisation have been defined in diverse ways, with substantial variation among approaches. As general patterns of “institutionalized” activity are more heterogeneous, some of these institutions are only sets of entities, with each member of the set being and institution (Keohane, 1988, p. 382). Therefore, some versions of institutional concepts are much more carefully defined and explicit about their definitions and referents, while others are less clear in conceptualization (Scott, 1987, p. 493). Moreover, institutions are often discussed without being defined at all, or after having been defined only casually (Keohane, 1988, p. 382). The term ‘institution’ is that of some

sort of establishment of relative permanence of a distinctly social sort (Keohane, 1988, p. 382). The beginning of approaching institution theory can be to recognize at the outset that there is not one but several variants. Thus, Meyer & Rowan (1977) defined institutional theory as Institutionalized rules are classifications built into society as reciprocated typifications or interpretations and it involves the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action (p. 341). Social order and various guides are influencing to the organisations' development, work, and association between organisations (Scott, 1987).

Institutional theories are built around the concept of legitimacy rather than efficiency or effectiveness as primary organisational goals (Dart, 2004, p. 415). From an institutional perspective, legitimacy is even the means by which organisations obtain and maintain resources (Oliver, 1991) and is the goal behind an organisation's widely observed conformance or isomorphism with the expectation of key stakeholders in the environment (Di Maggio & Powell, 1990; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). In the institutional mind-set, for example, managers follow environmental cues to make organisations conform to social expectations. This makes particular organisation legitimate, and from this legitimacy flow benefits. (Dart, 2004, p. 415)

As a sociological theory of organisations, institutional theory is premised on the idea of organisations as systems open to their social and cultural environments (Scott, 1992) and the norms, myths, and symbols found therein (Meyer and Rowan, 1977; quoted in Dart, 2004, p. 415). From this perspective organisations reflect and embody important social ideas as much as they deliberately perform certain tasks (Dart, 2004, p. 415).

Institutional theory can be summarized the framework to explore organisations in normative view to describe why the organisation was created and played a role in such a way.

### **Failure Theory and the Emergence of Social Enterprise**

Waaden (2012) illustrated the roles and thresholds of three sectors: state, market and the third sector. In his explanation, the three sectors refer as key actors in the society to argue the necessity of interaction each other.

*States steer social actors to obey rules and to pay, in exchange for the promise of the utility of public goods, backed up by a latent threat of violence, which is*

*constrained by the rule of law. Markets steer social actors through the lure of private utility from immediate exchange, mediated and facilitated by money up to the point at which it acquires a virtual value itself. Civil society induces social actors to “obey and pay” through less formal means, such as social contact and contract, social pressure, non-monetized exchange, and social control. Each of these modes of governance has its specific strengths and weaknesses, and in combination they can compensate with their assets for the liabilities, limits and weaknesses of the other modes.*

*(Waarden, 2012, p. 355)*

The limitation of the sectors, as Waarden (2012) illustrated, gives rise to failure of sectors. Market fails by imperfect competition such as monopoly, insufficient offer of public goods, unexpected transaction costs aroused by asymmetric information, and inequity resource allocation, and the government (state) fails their role for compensating market problems by their limited capacity for monitoring “agents” and over-regulations. Non-profit organisations emerged to meet unmet needs, and they offer direct service providing to people, develop mutual aid, do policy advocacy (publicly and individually) or campaigning, pressure groups (market, government), and co-ordinate activity between voluntary organisations and government (Weisbrod, 1988; Salamon, 1995; Hansmann, 1987; Ott, 2001; Kendall & Knapp, 1995). However, civil society can be also fall victim to ‘Philanthropic Insufficiency’, ‘Philanthropic Particularism’, ‘Philanthropic Paternalism’, and ‘Philanthropic Amateurism’ (Salamon, 1987).

Failure theory also argues that voluntary sector, including non-profit and social enterprise may also fail to be viable alternatives of market and state. Salamon (1987) summarised these characteristics as voluntary failure theory which help explore shortcomings of market and government failure. First, voluntary sector does not have enough ability for providing services to industrial society. This free-rider problem (Philanthropic Insufficiency) attenuates the capacity of the voluntary sector, and economic complexity which it is impossible to meet all demands of customers. Second, alienation and gaps between sub-groups and the voluntary sector introduce segmentation – so called Philanthropic Particularism. Third, disagreement as and decision making in the voluntary sector reduces the capacity of non-profits. Fourth, overlooking benefit for smaller and weaker voluntary sector groups undermines benefits (Philanthropic Paternalism). Finally, the voluntary system and a lack of professional status and processes impede offering collective goods adequately.

Dart (2004) categorizes this sort of explanation as functionalistic theory. In this functional premise, non-profit organisations provide services which are not offered by market and government sector. Social enterprise is also described as organisations (Dees, et al., 2001; Dees, 2003; Emerson & Twersky, 1996), which work for “functional and functional solution to public sector funding and philanthropic resource constrains”, and “strategically better option for organisations to fulfil prosocial mission” (Dart, 2004, p. 40).

The emergence of social enterprise is described as a reaction of market failure in a view of efficient resource allocation and effective economic management (Saunders, 1997). Market failure has experienced a journey that is almost significant in the pantheon of ideas in the economic literature. Its’ phenomenal rise to prominence in the US, for example, social enterprise was the strategic tools to opposed to government, which empowers from public sector to massive private sector. As economists assert, market failure is caused by “public goods externality” (Vatn & Bromley, 1997; Waarden, 2012), “monopoly” (Hutton & Schneider, 2008; Waarden, 2012), “Transaction costs and incomplete markets” (Holmstrom, 1982; Hammer, et al., 2007), “Asymmetric information” (Holmstrom, 1982; Waaden, 2012), and “Equity” (Le Grand, 1991; Dollery, et al., 2006). If social enterprise exists to improve these market limitations, expected roles of social enterprise to respond market failure can be identified fourfold.

First, social enterprise is required to do business in relation to public goods. They, for example, need to monitor whether their commodity produce pollutants, and are expected to increase positive externality such as reducing the unemployment rate. Moreover, their services need to be good enough without regulations. Vatn & Bromley (1997) define externality as where an action of one or more economic agents may give rise to economic effects for others (p. 136) and it goes beyond the one of intended cost shifting (148)(see also Randall, 1983). And Pigou (1932) explains that “services with positive externalities are under-produced as compared to the social optimum” (Laville, et al., 2015, p. 6).

In the market sector itself, there is actually a similar movement named CSR (Corporate Social Responsibility). CSR can be understood as idea that “concerns having an awareness of the impacts of the business, and wanting to have a positive impact on a wide range of stake holders through the business decisions that are made” (Jenkins, 2009, p. 25), and this concern of externality should be embraced into the business for symbiosis between firms and community to support local economy and employment.

Grassl (2012) argues that positive externalities are the significant feature of social enterprise and identify social enterprise from another voluntary sector organisations, because helping disadvantaged populations in activities without positive externalities is, for example, closer to charity than to social enterprise established by social entrepreneurship (Santos, 2012). Santos (2009) defines social entrepreneurship as “pursuit of sustainable solutions to neglected problems with positive externalities” (p.1). However, social enterprises do not usually produce public goods (non-excludable, but non-rival in consumption), nor rarely collective goods (excludable, but non-rival in consumption), but mainly good characterised by an individual demand associated with a perceived social utility (Borzaga & Solari, 2001, p. 334). It means that whether the positive externality produced by social enterprise may increase production costs depends on the preferences of external actors such as public authorities or local communities. (Borzaga & Solari, 2001). Therefore, it can be concluded that social enterprise also need specific institutional context including regulations to produce positive externality likely as business in market.

Second, monopoly draws social enterprise to the market. If a particular firm as a monopoly holder raises the price of production, it affects potential demand and undermines economic development (Hutton & Schneider, 2008). Monopoly and oligopoly power may ratchet up price to the detriment of consumers in doing dominant players have pursued pricing and service policies to make their markets attractive targets for aggressive new entrants (Bator, 1958; Clemons, et al., 1996). The leading firms has probability to win the market against the new entrants (Cabral & Riordan, 1994). These conditions are founded in imperfect competition market, and trigger market performance becomes inefficient and market power is beyond the bounds of market equilibrium (Mankiw, 2007).

With regard to social enterprise, government monopoly is the main problem to be improved. If government is regarded as an economic actor, public goods and services are a sort of monopoly because government primarily deals with public goods which is estimated low value of commodities. However, if government fails to deliver monopolized goods and service by lack of resources or wrong decision, the government becomes lacking in legitimacy. In doing so, government gives opportunities to social enterprises to provide goods and services that were not being provided by the government (Monroe-White, 2014). If the problem of monopoly is covered by social enterprise, the lack of legitimacy of market and government is no more identified as ‘failure’. Given social enterprise pursues social innovation as an actor within the social economy with production and allocation systems

combating social exclusion, fostering development in particular deprived part of economy and reinventing solidarity in production relation, social enterprise through innovative activities prevents and improves both market and government failure caused by monopoly (Moulaert & Ailenei, 2005).

Third, social enterprise refers to the actor who reduces transaction cost and compensates incomplete markets. Transaction cost are the costs associated with market exchanges, including the cost of obtaining the information needed to participate wisely in a transaction, transporting the goods or services and the buyer to and from the place where the transaction will occur, pooling resources, and holding both parties to the terms of contract (Young, 2001, p. 182). The problem of the transaction cost is caused by markets not being perfectly competitive. In addition, it entails moral hazard and adverse selection by asymmetric information (Holmstrom, 1982; Waaden, 2012).

According to Fukuyama (2000), to reduce the transaction costs associated with formal coordination mechanisms like contracts, hierarchies, and bureaucratic rule, informal norms are important. In his argument, social economy organisations including social enterprise are firms based on social capital representing trust and informal relationship. As Defourny (2001) describes, social enterprises have a feature of community-based business, which mobilise and utilise social capital in practice.

*After focusing on internal relationship, they turn to the types of economic exchanges between social enterprises and their environment. Building on Polanyi's distinction between the economic principles of market exchange, redistribution and reciprocity, they show how the social enterprise mixes these modes of exchange in different socio-political context. From this point of view, the emergence of social enterprises can be understood as a reciprocal impulse and the consolidation process reveals a tension between institutional isomorphism and hybridisation of different economic principles. (Defourny, 2001, p. 24)*

Fourth, asymmetric information results from the inequality of information between producer, seller and buyer. It is about who has more knowledge about commodity and establishment of trust in the circumstance of good's complexity (Young, 2001). This matter does not occur in non-profit organisations, because non-profit organisations have no incentives to exploit customer ignorance, and are legally restricted from distributing any

economic gains to private individual (Ott, 2001, p. 219). In terms of social economy, social enterprise is referred as a sub-sector of social economy organisation (Defourny & Nyssens, 2008). Social enterprise continues the non-profit tradition as social enterprise is regarded as a developed firm of non-profit organisation (Galera, 2007). Thus, in same way with non-profits, social enterprise can be seen as an organisation which fulfils the limitation of market performance even though the size of social enterprise shows this argument is not functional in fact.

Social enterprise is the newest alternatives to compensate market failure. Free-market critics argued that inflation, low growth and poor productivity alike were the consequence of too much state and too little market, advocating instead a new, 'neoliberal' consensus and a push for deregulation (Schneider & Hutton, 2008, p. 4). In such circumstances, a problem for commercial entrepreneurs' concerns opportunities for the social entrepreneur and market failure will create differing entrepreneurial opportunities for social and commercial entrepreneurship (Austin, et al., 2006). Social enterprises have been shown to play an important role in addressing social, economic and environmental challenges, fostering inclusive growth, increasing social cohesion, nurturing local social capital, supporting democratic participation and delivering good quality services (Noya, n.d.). Social enterprises have shown more resilience during the economic and financial crisis and created more jobs than they destroyed. These are all good reasons why policies should support social enterprise creation and development, not to mention the studies that show how public money spent to support job creation or the provision of goods and services by social enterprises represent a more efficient way of utilising resources than alternative methods. Therefore public policies supporting social enterprises allow governments to meet employment and other challenges in a more effective and efficient way, while at the same time improving the spending of public money (Noya, n.d.). As transformation of capitalism, social enterprises can be explained informal equality in economics. The ground rules of a liberal international economic system may establish formal equality amongst participants but they also reflect the disparity of power and resources.

A failure approach, in turn, describes social enterprise as an instrumental generation to supply a lack of the function of other sectors, and social enterprise partly works in this way under the name of innovation. Therefore, there are several things that functionalistic theory cannot explain social enterprise as if traditional non-profits who did work likely as social enterprise before the concept of social enterprise emerged. Moreover, functionalistic

approach also has limit on explaining how social enterprise manages social requests for achieving social value and business efficiently. The rise of limitation of functionalistic approach is a need of further theories to explain social enterprise in big picture, and institutional approach is one of those.

### **Institutional Approaches to Social Enterprise**

The use of institutional theory allows us to move away from functionalist and economic-based theorizing of social enterprise to a perspective that includes wider sociological understandings of new organisational forms (Dart, 2004). In institutional theory, sociological understanding is often focused on the history of organisation. Defourny (2001) explores historical factors of third-sector enterprise from the social economy explaining that legal form and the background of different types of non-profit enterprise vary, however those types of enterprises are founded around the world. In his view, "Organisations of this kind have existed for a very long time, although they have only gradually been given legal recognition for activities based on the free association of their members, which remained informal and sometimes even secret throughout most of the nineteenth century (Defourny, 2001, p. 4). Especially in America, one of the factors which accounted for the early growth of the American penchant for voluntary association was 'the deep-seated hostility to royal power and centralised state authority that the religious non conformists who helped populate the American colonies brought with them when they fled the Old World' (Salamon, 1997, p. 282). But it is only in the late nineteenth century that the idea of a distinct non-profit sector really began to take shape. Non-profit organisations were then promoted not simply to supplement public action but as superior vehicles for meeting public needs. Although the expansion of the non-profit sector in the 1960s and 1970s was strongly linked to partnership with government which increasingly supported these organisations, American perception of the latter remains marked by anti-state attitudes as shown by the growing use of the term 'independent sector' to refer to these entities (Defourny, 2001, p. 7). This means that most of endeavour to explain social enterprise attempts to understand it on the basis of its legal and institutional characteristics or the principles that its organisations have in common (Defourny, 2001, p. 4).

To attempt to build a specific theory of social enterprise, Bacchiega and Borzaga (2001), uses institutional theory of organisations to highlight the innovative nature of social enterprises. The Innovative nature is interpreted as shaping and original incentive system within these organisations. That incentive structure is based, on the one hand, on a mix of

monetary and non-monetary elements where the latter tend to assume more importance than the former and, on the other hand, on the necessity of combining the possibly conflicting objectives of stakeholders (Defourny, 2001, p. 23). Second, the institutional approach also examines to what extent these specificities may contribute to explaining the plurality of social enterprises in the European context as well as their main strengths and weaknesses (Defourny, 2001, p. 23). Third, Institutional theory analysis suggests that social enterprise is likely to continue its evolution away from forms that focus on broad frame-breaking and innovation to an opefunctional definition more narrowly focused on market-based solutions and businesslike models because of the broader validity of premarket ideological notions in the wider social environment (Dart, 2004, p. 412).

As such, institutional approach to social enterprise is offering wider perspective on the question of what is social enterprise, what social enterprise do, and how it is developing. And social economy is in at the bottom of social enterprise in institutional theory.

## CONCLUSION

This descriptive Chapter opened with question: what is social enterprise; what does social enterprise look like; why social enterprise emerged and how social enterprise can be explained? This was not a straightforward task but the vague nature of the term social enterprise made it difficult to construct dimensions that could be operationalised. This problem was further compounded by a lack of useful, available empirical studies.

Despite these obstacles, a broad conceptual index of social enterprise has been compiled in this Chapter. Social enterprise is defining an organisation which seeks to achieve a double-bottom line, and has distinctive features such as wider production of service boundary; selling goods and services; pursuing social missions; sharing benefit within community. Through the theoretical approach, we found that social enterprise is filling the gap between market sector and public sector due to their flexible characteristics and socially demanded needs.

As identified features of social enterprise above are still unclear in terms of the boundary, it may raise that questions cannot be satisfactorily answered. However, the story of emergence of social enterprise in both America and Europe draws this concept more into a plausible notion by comparing to non-profits and co-operatives. The uniqueness, flexibility and interactive feature are the key components that small size social enterprises can survive

in the market and civil society. In turn, this Chapter emphasizes that the concept of social enterprise has to remain somewhat ambiguous.

## CHAPTER 3

### THE HISTORICAL DEVELOPMENT OF POLICY AND SOCIAL ENTERPRISE IN THE UK

#### INTRODUCTION

In this Chapter, I examine how the third sector policy in the UK has evolved into the field of social enterprise till 2006. To make explicit the diversion of social enterprise from co-operatives form, we need to trace discourses about political interests, economic context and related policy matters that have influenced the embryonic stage of social enterprise as well as more recent historical context. Through exploring the origins of how third sector policy and social enterprise developed, it provides better understanding on policy approaches to social enterprise development.

This Chapter covers four broad areas. First, it briefly maps out Rochdale pioneers as the beginning of social enterprise. Rochdale Pioneer is a grass-root movement to improve what were then social issues. Although, scholars such as Dart (2004) argue that social enterprise is different concept to other forms of third sector, there are still confusions and interchangeable usages between social enterprise and other forms, since social enterprise is not a legal term in the UK (SEUK, 2012b). Historically the first use of the term social enterprise is when Banks (1972) called co-operative pioneer Robert Owen a social entrepreneur of the 1820s. Beforetime its first mention in the mid-1990s, the concept of social enterprise has known to be coexisted with co-operatives, community enterprises, enterprising charities and various forms of social businesses (SEUK, n.d.b; Leadbeater, 2007). Because this Chapter develops explanations for the emergence of social enterprise at the early stage, it will develop basic similarity and contrasts between the social enterprise forms and co-operative.

The second section of the Chapter discusses process whereby co-operative divides into social enterprise in the 1990s. It discusses why specifically the concept of social enterprise was needed at that point, and gives a more recent historical description around the beginning of social enterprise. This discussion helps to clarify the emergence and trajectory of social enterprise as well as to explain the evolution and innovation of third sector organisations toward more market-based solution in social circumstances.

The third section of the Chapter explores the development of third sector policy, which support or regulate voluntary movement and business activity from early third sector forms to social enterprise. Policy transition processes offer a view on the relationship between government and third sector organisations, and facilitates positioning them in terms of major concern, agenda and policy objectives.

Last section provides the brief introduction of social enterprise policy.

## EMERGENCE OF THE ROCHDALE CO-OPERATIVE AND ORIGINS OF SOCIAL ENTERPRISE

As described in the previous Chapter, the start of social enterprise in the UK is linked to the Rochdale pioneers (Digby, 1948; Forno, 2013; Ekonomika, 2010). Arguably Andrew Bibby (2014)'s discovery that "The society of Weavers in Finnick" in 1761 accounts for the first co-operative which established by sixteen weavers in the Ayrshire village of Fenwick is true, but the Rochdale pioneers is a more important case to be discussed in terms of the size, outcomes, leverage of the movement historically. Around 1844-1887, when the Rochdale cooperative emerged, the United Kingdom was in the middle of social, economic and political transformation.

At first, industrial revolution gave rise to social dislocation (Fairbairn, 1994). Between 1560 and 1800, the UK became one of the cheapest energy supplies in the world increasing output of British mines (Smelser, 2013). This cheap energy supply changed industrial structure including the family economy, economic distribution system (e.g. into retail and wholesale), and produced dissatisfaction with industrial productivity (Smelser, 2013). As a result, the Industrial Revolution facilitated the establishment of factories over the country without regulation, and gave rise to related problems such as unemployment, low pay, unhealthy cities, and dangerous workplaces particularly together with child labour problems (Fairbairn, 1994; The National Archives, 2008). From 1833, the government enacted several Acts (representatively, the Factory Act 1833) to improve those vulnerable surroundings, but it faced resistance of factory owners and many people who agreed to a factory-centred economic system (The National Archives, 2008, p. 2).

Secondly, a part of voluntary movement, charitable effort from hospital, schools and asylums, and of societies had arisen to alleviate the poor (Gorsky, 1998a). With other regions in the UK, Rochdale struggled to overcome poverty, hunger and unemployment in the 1800s (Fairbairn, 1994, p. 4). Rochdale co-operative was created as a voluntary approach to improve those social and economic contexts (Fairbairn, 1994). Beginning in

“Rochdale Friendly Co-operative Society” in 1830, a co-operative model was established by the concept of Owenism, a humanitarian concern for the poor conditions (Fairbairn, 1994; McKillop & Wilson, 2011). The Co-operative’s first priority was, of course, economic and educational improvement for the population (Fairbairn, 1994, p. 3). To achieve their objectives the Pioneers sought to encourage worker-owned enterprises in order to increase wages; to educate knowledge of politics and economics in libraries; and to extend worker purchasing power through co-operative buying (Fairbairn, 1994, p. 3). The Rochdale pioneers comprised of thinkers, activists, and leaders who functioned within a networks of ideas and institutions, they had the advantage of structuring network between groups of Owenities, and organising socialist society characterised by “economic democracy” to provide consumer goods to workers at fair price (Fairbairn, 1994, p. 4; Bhowmik & Sarker, 2002; Bhowmik, 2005; McKillop & Wilson, 2011).

Throughout this historical process the Rochdale movement established firm principles which spread throughout in the UK as below (Bhowmik, 2005, p. 5).

- One vote for each member (and not for each share as in the case of joint stock companies);
- Sale at market price;
- Division of profit among the shareholders on the basis of the shares each held;
- Limited interest on share capital.

For the later success of the Rochdale Pioneers, those principles were the fact that Rochdale had for years been a centre of co-operative activity, and transform other forms of organisation: social enterprises, mutual and charities. For example, in 1844, “Mutual Self-Help Organisations” began to establish to advance pioneers’ causes and to serve their social objectives through concrete economic action to take place in the movement for social reform and the advancement of the working class and its interests (Fairbairn, 1994, pp. 4-5).

## FROM THE CO-OPERATIVE MOVEMENT TO SOCIAL ENTERPRISE

The specific term and growing social enterprise can be traced from the late 1990s. Evidence for this comes from the Strategy Report for Neighbourhood Renewal published by the Social Exclusion Unit in 1997 (Voinea, 2016). In this strategy, the term social enterprise was used to imply community businesses, trading charities and public service delivery organisations which perform ‘earned income’ and ‘innovation’ for socially excluded groups

(Voinea, 2016). Politically, the term social enterprise was first recorded in Parliament by MP Patricia Hewitt in 25th June 1997 when she asked a question about Welfare to Work proposals (Brown, 2003). In Brown's article (2003), Hewitt understood social enterprise as a "new approach to generating sustainable employment in disadvantaged community" (p. 5).

At the turn of the social enterprise from co-operative, there has been criticism of the term social enterprise Woodell insists "In London in the 1990s people believed social enterprises were the Trojan horses to get politicians to work with the co-op movement" (Voinea, 2016). The concept of social enterprise gained wide institutional support from the creation of Social Enterprise Europe in 1994, Social Enterprise London (SEL) in 1998 and Social Enterprise Coalition (SEC) in 2002 (Brown, 2003; Ridley-Duff & Bull, 2011). SEL was the first organisation in the country to incorporate the term social enterprise in its name, and is generally recognised to be the pioneer of contemporary social enterprise development in the UK, and politically tied with Labour and co-operative activists (Brown, 2003). As a matter of fact, those organisations were founded to support co-operatives' development and coalition at the beginning (Yeo, 2002).

Why was the concept of social enterprise particularly needed at this point of in time? Ridley-Duff and Bull (2011) argue that economic thinking changed in the 1970s, due to the influence of Thatcherism. New public management (NPM) dominated people's thought equating public matters with private sector processes, and becoming a new wave of public administration (Ridley-Duff & Bull, 2011). Later New Labour responded to community regeneration and commitments to social justice, equality and employment protection with considering environmental protection through its Third Way (Ridley-Duff & Bull, 2011; Somers, 2013). In this sense, Baroness Glenys Thornton, who is co-operative activist introduced social enterprise language and definition as:

*"...self-help organisations which bring people and communities together to run their own businesses with the twin aims of economic empowerment and social gain. Specifically, they are democratic in practice and principle; they have explicit social and economic aims and values; and they earn income for their own financial independence and viability."* (Lords Hansard, 1998).

Haugh & Kitson (2007) approaches to this issue in economic inequality and social exclusion. They argue that the government has embraced the third sector to tackle those faced problems (p. 973), referring the appearance of social enterprise in the UK as "verbal

echo of The Third Way philosophical stance of New Labour” (p.974). Consequently, in this point of view, social enterprises are existed as one of the third sector organisation which emerged in the relationship between the government and the market, and has complex structure and blurred boundaries (Haugh & Kitson, 2007).

In sum, it is acceptable that the emergence of the social enterprise concept is described as sitting between liberal capitalism and market socialism (Ridley-Duff & Bull, 2011). Social enterprises seems likely to hang around between marketising government and socialists’ policy in many views of academics and practitioners. Later on, as social enterprises are grown up, it is getting shaping like a model which explained in previous Chapter (see Chapter 2). And as Giddens (1998) insisted, the concept social enterprise was going over the social democracy and neo-liberalism with the name of “ the Third Way” (Teasdale, 2010, p. 3).

It is a clear contrast between the Workers Co-operatives (e.g. Rochdale Pioneers) and social enterprise. Historically, previous co-operative model pursued profit-maximising business by poor or disadvantaged groups for their social benefit aiming for the improvement of poverty, whereas social enterprises developed from private companies and transformed them to social economy organisations (Ridley-Duff & Bull, 2011; Voinea, 2016). This difference indicates that traditional co-operatives is simply the financial benefit for the members and improvement of their social and household condition (Fairbairn, 1994, p. 5). Fairbairn (1994) argues this co-operative mission is derived from the Pioneers belief that the co-operatives’ role is undertake various economic activities for members such as opening stores for mobilising power of members; accumulating capital and Using the accumulated capital and surpluses from stores and constructing social and economic relationships between members (p. 5). On the other hand, the model of social enterprise differs (Brown, 2003).

*“Social Enterprises are business that do more than make money; they have social as well as economic aims and form the heart of what is now coming to be known as the social economy. Aims include the creation of employment, stable jobs, access to work for disadvantaged groups, the provision of locally based services and training and personal development opportunities”(p. 3)*

In Brown’s view, social enterprise is a wider concept than co-operatives’ in terms of inclusive range, economic activity, social dedication and roles rather simply distributing

benefits to members. As Ridley-Duff argued in Voinea (2016), the differences of feature can be summarized as follows “co-operatives and mutuals create social value through the redistribution of wealth and social inclusion; social enterprises contribute by helping a specific group or achieving sustainable development”.

The differences are also found in ownership and management structure. Most workers co-operatives had an assembly of workers that had decision-making authority, but social enterprise does not need to have this body because its top-down authority limits the involvement of employees in both ownership and governance (Brown, 2003; Ridley-Duff & Bull, 2011). Only co-operative has common or individual ownership like social enterprise, it requires to follow the classic co-operative control structure such as model of Rochdale movement (Ridley-Duff, 2009). Brown (2003) argues that this feature of co-operatives ownership is irrelevant to the problems of social exclusion and community regeneration.

In terms of legal structure, there is a significant different between them. Firstly, co-operatives and similar business structures such as industrial and provident society (IPS) are required to be registered by Friendly Society Act and the Industrial and Provident Society Act. Social enterprise, however, does not have firm legal structure. Somers (2013) suggests the social enterprise agenda has been extended beyond its legal form. Although her statement is confined to the Labour era, we may read her comments to suggest, first, legislation had polarised co-operatives and community benefit society, which led to the social enterprise created in the community (Voinea, 2016). Second, social enterprise has adopted more flexible forms of legislation, and it became a more efficient form of social business in regard to fundraising and financial supporting. Flexible legal structure, on the other hand, presents some difficulties for social enterprise business. Most social enterprises are normally established for the social mission. However the social mission is difficult to be accomplished if it has not been in firmed shape or form. Nevertheless, social enterprise business so far has just been pressured to be operated ethically, contribute to the local community and have effective working without formalising (Smedley, 2013).

There are some attempts to identify social enterprise and cooperatives. The dispute on the differences of social enterprise and cooperatives is still remains to subject of fierce debate. Nowadays co-operatives in the UK is going toward the traditional model. They do not simply target poor or disadvantaged people, but do their businesses for/with richer groups (Voinea, 2016). Moreover, embracing social enterprises’ principles, it is becoming closer to social enterprise in terms of considering community concerns and community

benefits (Voinea, 2016). As a result, the gap between social enterprise and co-operation is getting closer, and the boundaries between two are getting blurred. Which means that the term social enterprise is covering a wider area of social economy as an umbrella term.

## LEGISLATION TO ENCOURAGE THE VOLUNTARY MOVEMENT

Historically, the first institutional frame for the origins of social enterprise is recorded as 'Friendly Society Acts' (National Co-operative Archive, n.d.)<sup>1</sup>. As the Joint Stock Companies Act 1844 just allowed up to 25 members for the business operated as a partnership at Common Law, larger firms such as Rochdale co-operative could not be registered as a legitimate company and protected by the law (Snaith, 1996). For this reason, the Rochdale co-operative registered under the Friendly Society Acts 1829 and 1834, the Acts referred as the first law for the third sector organisations (Snaith, 1996). The second prominent Act is the Industrial and Provident Societies Act which governed co-operatives after the Friendly Society Acts.

The first feature of those early forms of legislation for Rochdale co-operative is registration. Firms which registered under Joint Companies Act 1844 were restricted to transfer their shares with non-members (Snaith, 1996). Friendly Societies Act 1829, 1834 and 1846 allowed them to invest savings of members for the members needs and also permitted trading between members (Snaith, 1996). However, there was a restriction for both Acts to hold land or the liability for the debts and to impose fine and forfeiture to registered friendly societies against violations (Snaith, 1996; National Co-operative Archive, n.d.).

Secondly, the Acts contain responses to improve the lack of a social system. Initial "Friendly Society Act" enacted to improve the worst aspects of the Poor Law (Gorsky, 1998b; Jones, 1984). The Poor Law was a way of saving the cost of maintaining the sick and elderly by allowing them to do particular trades to make profit for themselves (National Co-operative Archive, n.d.). The Act encouraged a cultural separation between two types of poor – the 'deserving' and 'undeserving', and the former could qualify for charity or philanthropic help while the latter were sent to the workhouse (Ridley-Duff & Bull, 2011, p. 24).

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<sup>1</sup> This Act was first enacted in 1793

The Industrial and Provident Societies Act 1852 is known for being enacted to deal with the need of co-operatives in the UK through a legal structure (Snaith, 1996). This law was very different from friendly society law in terms of concern with trading; enabling people to get together; to pool people's funds for the purpose of some trade or enterprise; and looking after people's savings (National Co-operative Archive, n.d., p. 27). Snaith (1996) refers to the emergence of the 1852 Act as responding to the limitation of Friendly Society Act. Which limited funding and establishment without registration, and had limitations to external extension (Snaith, 1996). This act developed in 1862 to response to pressure from a growing co-operative movement and their requests (National Co-operative Archive, n.d.).

Thirdly, government started giving power to third sector organisation to induce them into policy process and to reform policy. For example, the Friendly Society Act was created conservative government tried to encourage their activity because the government saw friendly societies are reducing the public burden (Jones, 1984). In practice, friendly societies met government's anticipation, recruiting a large proportion of the population from the beginning of the nineteenth century, and promoting happiness of individual members through delivering proper social services creating funds (National Co-operative Archive, n.d.; Jones, 1984, p. 337). Those activities evaluated contribution of saving public spending (Ridley-Duff & Bull, 2011).

Amendment of the Industrial and Provident Societies Act in 1862 was mostly about power to purchase, lease lands, liability, power to invest (National Co-operative Archive, n.d.). In 1867, restriction on working mines and quarries were removed, and societies allowed unlimited holdings of shares in other society (National Co-operative Archive, n.d., p. 32). Together with these changes, societies could build banking business (National Co-operative Archive, n.d.). The registry urged greater attention to actuarial principles especially after the 1875 Friendly Society Act, and friendly societies as a group faced growing competition from commercial insurance and collecting agencies, particularly for benefit at death (Jones, 1984, p. 346)

Fourth, financial support for third sector organisations has started through those Acts on the strength of the positive assessment. Under the Friendly Society Act, the government attempted to promote registered friendly societies to recover against defaulting or bankrupt officers and to make easy to preserve archives through financial support from Treasurers or Trustees (National Co-operative Archive, n.d.; Jones, 1984, p. 337). In 1829, the Act is amended to raise a fund "for the mutual relief and maintenance of all and every

the members in sleekness, infancy advanced age widowhood, or any other natural state or contingency; in 1834, the range of fundraising was extended to all legal activities (National Co-operative Archive, n.d., p. 17).

Fifth, the Acts gradually decreased the range of regulation from all kinds of third sector organisations to focusing on co-operatives. From 1833, the Friendly Society Act began to turn around to its objects to pursuit to control ventures such as building or purchasing houses; manufacturing articles; purchasing or renting land; establishing a self-supporting home-colony; to open a temperance hotel (National Co-operative Archive, n.d., pp. 18-20). The Act in 1846, sought better legislation for co-operatives, allowing scrutiny by Justices of the Peace, and changing the purposes for co-operatives could be established (National Co-operative Archive, n.d.). For the first design for co-operatives, the Act contains permission to pay of dividends and undertaking of educational work and restricts to transferable shares such as selling goods to non-members (National Co-operative Archive, n.d., p. 21). The amendment in 1850 was the latest act to facilitate the co-operative movement. In this version of the Act, any persons related to member of society could participate in co-operative activity as a member, thereby increasing membership of societies such as friendly societies and co-operatives (National Co-operative Archive, n.d.).

## THE GROWTH OF SOCIAL ENTERPRISE POLICY

After social enterprise emerged, policy maker and practitioners keep considering how to lead social enterprises into a part of institution. The reason why the UK government interested in the concept of social enterprise is well described in Purser (2009): tackling social and environmental challenges; increasing level of enterprise; Ethical markets; Public service reform (p. 5). To handle those tasks, the government framed the list of policy objectives and claims for the social enterprise sector over the past decade in the UK as below (Author compiled from DTI 2002; Gordon, 2015).

- improving competitiveness and productivity;
- creating wealth and fostering enterprise;
- providing employment and training;
- providing better public services;
- reinvigorating civil society;
- building capacity and social capital in communities;

- regenerating disadvantaged communities;
- addressing unmet social and environmental needs;
- tackling social and financial exclusion; and
- encouraging ethical markets.

The first step to approach social enterprise with policy was establishing Social Enterprise Unit (SEU) in 2001. As a part of Department of Trade and Industry (DTI), Social enterprise Unit did policymaking, promoting, addressing barriers to growth, identifying and spreading good practice for social enterprise (Brown, 2004). Moreover, it encouraged social enterprises' economic activity and employability in local communities (Thomas, 2002). Representatively, SEU launched "Social Enterprise Strategy" for the first time ever in social enterprise policy.

When we compare the social enterprise policy to co-operative's one, we can find four significant characters. First, social enterprise policy tried to 'fostering a culture of social enterprise' (Purser, 2009, p. 9). Until 2006, only 26 per cent of people recognised social enterprise (Cabinet Office, 2006a). To introduce social enterprise to wider public, the government (Department for Education and Skills: DfES) introduced social enterprise education project about "developing creativity", "innovation", "risk taking", and "a can-do attitude" in 700 schools from 2003 to 2005 (Cabinet Office, 2006a; Purser, 2009). To help social enterprise sector to market itself better, the government ensures the right information and advice to social enterprises with business professions (Cabinet Office, 2006a; Purser, 2009). Through this policy approach, the government helps social enterprise to gain better performance in business market. In academic fields, the government established the Third Sector Research Centre (TSRC) for better understanding of third sector organisations and implications for policy.

Secondly, social enterprise policy pursues to improve advice and information for start up and growth of social enterprise (Purser, 2009). For example, the Olympic Board, the Office of the Third Sector and London Development Agency (LDA) cooperate to support a start-up programme, including social enterprise, to engage the workless in employment through enterprise during the period of the Olympic (Office of the Third Sector, 2006). In addition, the Government is running website to give advice and provide materials for new starters or to whom wish to start up social enterprises.

## CONCLUSIONS

In this Chapter, we have considered the context in which the social enterprise has itself become an independent form for solving social problem with its unique features and through policy support. We have also considered the origins of social enterprise and related policy to see the process transforming voluntary movement for social improvement to market-based models. Both developments support third sector organisations moving to develop a social enterprise, but are not necessarily or automatically supportive of the traditional co-operative model.

In exploring the difference between social enterprise and traditional co-operatives, we can identify the changes of social needs or desire for improving faced problems. Policy has supported and encouraged social enterprise, and it provided wider opportunity for social enterprises to be developed.

In the following Chapters, the thesis moves to establish research objects and question to create a theoretical framework and to introduce the approach to research and analysis.



## CHAPTER 4

### RESEARCH DESIGN AND METHODOLOGY

#### INTRODUCTION

According to Bowen (2009), “organisational and institutional documents have been a staple in qualitative research for many years” (p. 27). Moreover, Prior (2010) explained that “the use of documents as sources of evidence has a long and worthy tradition in the empirical social sciences” (p. 112). This chapter seeks to capture how we might better understand the social enterprise policy and considers how the social enterprise policy is shaped by social, economic and political contexts; in order to achieve this, a qualitative research method is employed. As such, the research interests were:

- to explore the political debates surrounding social enterprise;
- to investigate social enterprise policy under the government economic strategy;
- to identify social enterprise policy with a view to addressing social issues.

In order to develop a deeper understanding of the social enterprise policy, this research adopted the ‘Document Analysis’ methodology to examine published materials from 2006 to 2016 from the government, the social enterprise sector and Parliament. In addition, this chapter discusses the optimal approach, focusing on the use of documents as sources of evidence. It introduces a way of describing and tracking words, meanings, and themes which have been related to social enterprise policy for the last decade (Altheide, et al., 2010).

This chapter is divided into three parts. I discuss methodological issues related to policy analysis, following which I present a detailed description of my research project, including the research aims, questions, and framework. Finally, the chapter explains the analytic framework.

#### DISCOURSES OF QUALITATIVE RESEARCH METHOD IN POLICY ANALYSIS

As the first part of the research design, this chapter begins by outlining the methodology used to conduct the investigation into social enterprise policy.

In the past, various approaches have been used for gathering social enterprise information. The case study approach has been used in the majority of these studies to explain the in-depth features of social enterprises and to compare them nationally and internationally. Moreover, a historical approach is frequently applied for social enterprise studies to identify and compare differences internationally. The main theme of historical approaches is explaining different stories regarding the emergence of social enterprises, as well as various economic, political circumstances and the starting point of social enterprise. Meanwhile, quantitative research methods are repeatedly used for measuring social enterprise performance, its impact, and so forth. In numerous cases, the organisational modelling, measurement and quantitative research method serves as a tool for exploring various ideas.

Creswell (1998) described qualitative research as “an inquiry process of understanding based on distinct and methodological traditions of inquiry that explore a social or a human problem. The researcher builds a complex, holistic picture, analyses words, reports detailed views of informants and conducts the study in a natural setting” (p. 15). Patton (2002) illustrated that qualitative data are used for describing circumstances, people, interactions, observed behaviours, events, attitudes, thoughts and beliefs, as well as direct quotes from people who have experienced or are experiencing the phenomenon (Srivastava & Thomson, 2009). As articulated by Ritchie and Spencer (2002), qualitative research can be used “to explore and understand a diversity of social and public policy issues, either as an independent research strategy or in combination with some form of statistical inquiry” (p. 305).

Qualitative research is empirical research, the data of which are not in numerical form (Punch, 1998, p. 4). At one time, the use of qualitative methods was seen as acceptable if it was confined to a developmental role for statistical investigation. This simple and broad concept of qualitative research has been developed into an approach that is concerned with the subjective assessment of attitudes, opinions, and behaviour, and which focuses on an interpretive, naturalistic approach to the subject matter (Thomas, 2003; Kothari, 2004, p. 5).

Qualitative methodology has sometimes been referred to as a narrow field (Thomas, 2003). However, qualitative research now has many dimensions and research methods which constitute common parts of the research methodology; in addition, the approach is adopted by a wide range of researchers (Ritchie & Spencer, 2002). According to Moravcsik (2009), qualitative research dominates political science. As an example, he put forth the

field of international relations (IR), where approximately 70% of scholars primarily employ qualitative methods, compared with 21% who favour formal or quantitative analysis (cited in Jordan et al., 2009). Moreover, LeGreco and Tracy (2009) noted increased interest in qualitative, applied and critical research in the cross-disciplinary field, including communication, education, sociology, management, gender, and ethnic studies over the last 10 years (p. 1519).

The history of qualitative research can be split into five eras, according to Denzin and Lincoln's classification (cited in Huges, n.d., p. 2). The first period is "the traditional" (1900-1950). During this period, the qualitative method was regarded as a tool for reflecting on the principle of scientific inquiry. The second era is "the modernist or golden age" (1950-1970). During this time, post-positivists' arguments were actively discussed. Third is the advent of "the blurred genres" (1970-1986). New interpretive, qualitative perspectives were absorbed into the fields of hermeneutics, structuralism, semiotics, phenomenology, cultural study, and feminism, following which humanism became one motivation for critical and interpretive theory. Giddens (1984) called this period 'structuration'. Fourth is the "crisis of representation" (1986-1990), during which time researchers tried to transform their research into reflexive texts. Finally, "the postmodern" period dominated qualitative research from 1990. These phonetic studies (Flyvbjerg, 2001, 2006; Kemmis & McTaggart, 2000; Reason, 1994), and discourse studies (Broadfoot, Deetz & Anderson, 2004; Fairclough, 1995; Fairhurst & Putnam, 2004) can be described as reflecting a postmodern style of qualitative research (cited in LeGreco & Tracy, 2009, p. 1516). Such theoretic approaches share the idea that perception comes from a specific subject position; that the social and historical precede the personal; and that communication produces identity and knowledge in particular ways. These paradigms have been collectively characterised by Deetz (2009) as politically attentive relational constructionism (PARC) (LeGreco & Tracy, 2009, p. 1517).

Regardless of this renaissance of the qualitative method, there has been a long-lasting debate surrounding the question of which research method (qualitative or quantitative) is the most appropriate for social sciences (Morgan & Smircich, 1980). Advocates of the qualitative method heavily rely on scepticism regarding the application of the quantitative research method to social science (Morgan & Smircich, 1980). On the other side, Moravcsik (2010) and Huges put forth an argument regarding the qualitative research crisis in politics, citing the lack of firm standards of replicability (p. 29).

*“Debates about quantitative and qualitative methodologies tend to be cast as a contest between innovative, socially responsible methods versus obstinately conservative and narrow-minded methods (an opinion of advocates of qualitative approach), or precise, sophisticated techniques versus mere “common sense” (an opinion of supporters of quantitative approaches)”* (Stewart & Shields, 2001, p. 307).

With all of this said, there exist certain advantages of adopting the qualitative method for research. First, a qualitative approach offers flexibility that can illuminate unanticipated, but significant, issues (Huges, n.d.). Second, the qualitative approach helps the researcher to examine a particular field more closely than would be possible with a positivistic approach, since qualitative research can easily gauge an insider’s opinion (Huges, n.d.). Third, relationships, causes, effects and dynamic processes can be described in qualitative descriptions, because numbers and most statistical skills are not used for qualitative research. There is also the benefit of using a more descriptive and narrative style and examining new insights.

However, despite these strengths, there are some critics of the qualitative approach. Moravcsik (2010) discussed how some prominent authors recommend that qualitative scholars should formalise theory; others suggest that qualitative researchers should select cases to create relevant variation on independent variables. In addition, others set forth the multiple alternative process-level implications of alternative theories, and still argue that they should pay closer attention to evidence and sources (p. 29). In reference to these claims, Moravcsik argued that performing qualitative research refers to conducting a project without methodological rules or evidence. In addition, Huges put forth an argument regarding the limitations of the qualitative method: “the difficulty to secure validity or reliability as scientific research. As qualitative data is based on the nature of subjectiveness and single context origin, it regarded as to be hard to adopt traditional standards of reliability and validity” (p. 9). Furthermore, Huges expressed concern regarding the potential bias of qualitative research. He postulated that a researcher’s personal experience and precedent knowledge affect the subject of study, and that it is hard to secure bias prevention that identifies and elucidates the viewpoints of both researchers and participants before conducting a qualitative research project. The anonymity and confidentiality – which are key to research ethics – also pointed to a weakness of qualitative research in terms of selecting findings (Huges, n.d.).

In the social policy field, the qualitative method has been developed, with social and public policy issues being explored, and being underpinned by the persistent requirement to understand complex behaviours, needs, systems and cultures (Herriott & Firestone, 1983; Ritchie & Spencer, 2002, p. 305). During the early stages of qualitative research (the 1970s), methods related to social policy started being introduced to policy evaluation, education, and disability policy studies in the policy analysis field (Bogdan & Taylor, 1975; Taylor & Bogdan, 1984, cited in Bogdan & Taylor, 1990, p. 183). Scholars sought to provide an understanding of policy transformation and change by investigating social problems and examining power relations as shaped by organisational structure and its micro and meso levels of discourse and interaction (LeGreco & Tracy, 2009, p. 1517).

As well as basic research within policy fields, the last two decades have seen a significant growth in the use of qualitative methods to explore and understand the diversity of social and public policy issues in applied social policy research (Ritchie & Spencer, 2002). The qualitative method plays a crucial role in helping to “understand complex behaviours, needs, systems and cultures” (Ritchie & Spencer, 2002, p. 305).

Applied policy research is not limited to one particular stream of data collection and methodology, but is also used to achieve a number of different objectives using qualitative methods (Ritchie & Spencer, 2002; Srivastava & Thomson, 2009). The questions frequently used for policy research are described in Table 4. The table addresses various objectives and questions across study fields, and is broadly divided into four categories: contextual, diagnostic, evaluative and strategic.

[Table 4] The Sample of Objectives and Questions of Policy Study in Qualitative Research

Category	Goal	Sample Questions
<b>Contextual</b>	Identifying the form and nature of, what exists	What are the dimensions of attitudes or perception that are held? What is the nature of people’s experiences? What needs does the population of the study have? What elements operate within system?
<b>Diagnostic</b>	Examining the reasons for, or causes of, what exists	What factors underlie particular attitudes or perceptions? Why are decisions or actions taken, or not taken? Why do particular needs arise? Why are services or programmes not being used?
<b>Evaluative</b>	Appraising the effectiveness of what exists	How are objectives achieved? What affects the successful delivery of programmes or services? How do experiences affect subsequent behaviours? What barriers exist to systems operating?
<b>Strategic</b>	Identifying new theories, policies, plans or actions	What types of services are required to meet need? What actions are needed to make programmes or services more effective? How can system be improved? What strategies are required to overcome newly defined problems?

Author organized from Ritchie & Spencer (2002)

## RESEARCH DESIGN

The second part of this chapter details the research project. In this part, I describe the gap to be addressed in the present research, following which I suggest the aims and objectives of the study, and develop research questions to be addressed while also describing the data collection methods and analysis used.

### Approaches to Identify Research Gaps

In 2006, New Labour published its social enterprise strategy, entitled *Social enterprise action: Scaling new heights*. In it, Tony Blair stated, “I believe we will see more social enterprises, making greater strides towards social justice, working more easily with conventional businesses and the public sector” (Cabinet Office, 2006a). Gordon Brown went on to discuss “Business dynamism and success with fairness and social justice: that is the core of our vision for the country, and this action plan will help enable social enterprises to

achieve it” (Cabinet Office, 2006a). Ed Miliband, then Minister for the Third Sector, followed this with the following statement: “As we seek a genuine partnership between government and social enterprise. We in government do not create the instigation and dynamism of social enterprise. Equally, I know from my conversations that you need a supportive government, taking its responsibilities seriously and putting in place the right conditions for you to thrive” (Cabinet Office, 2006a).

These remarks signalled that the last stage of New Labour’s policy framework supported the growth of social enterprise, but prioritised the concept of partnership, which preserves the dynamics of social enterprises in their business environment and entrepreneurial initiatives. This new strand of New Labour was described in the 2008 guidance, entitled *Working in a consortium: A guide for third sector organisations involved in public service delivery*. Indeed, Kevin Brennan, Minister for the Third Sector, indicated that “*In Partnership in Public Service: An action plan for third sector involvement* the Government acknowledged, at their best, third sector organisations – especially those rooted in local communities – have an expert perspective on the needs of local people and how best to provide services that meet those needs” (Cabinet Office, 2008, p. 3).

Labour’s policy themes, namely partnership and community concern, have continued to evolve and have become actualised through Big Society in Coalition Government; indeed, these themes have now been developed into the concepts of social outsourcing and social investment in conservative government (Cabinet Office & Hurd, 2010; HM Government, 2013; HM Government, 2014a). This policy agenda seems to have become the key component of social enterprise policy. However, I found that there was a lack of empirical studies which explore a more in-depth and consolidated view of social enterprise policy. Indeed, this represents a significant gap in terms of apprehending the conceptual boundary of social enterprise in the policy environment, describing which features of social enterprise have been emphasised in social policy, and explaining how the policy agendas around social enterprise have been shaped.

### **Research Aims and Questions**

As a response, this thesis sought to explore social enterprise policy in three different policy contexts: political, economic and social. The aim of this was to provide an integrated view on social enterprise policy over a certain period of time. To outline the interests and intentions of policy makers, this research firstly aimed to draw a conceptual framework from

the record of political discussions. In order to achieve this initial aim, I conducted a transcript search of Parliament Hansard, to demonstrate political themes from the statements made by MPs and Ministers.

The second aim of this thesis was to create the key themes of social enterprise policy in an economic and social context. By conducting a review of the policy documents, my intention was to develop representative and synthetic policy themes to understand social enterprise policy during a certain period of time. Moreover, I uncovered the specific policy instruments which drove each theme in certain policy directions. In terms of the results of this process, I expected the policy themes to provide the starting point from which to assess whether the social enterprise policy has recognised the general features of social enterprise; I also expected to be able to identify which social enterprise features have been focused in policy fields in either way of developing or supporting, and what have social enterprises done for the last 10 years:

- to outline political interests in social enterprise
- to develop policy themes of social enterprise in an economic and social context
- to discuss the key emphasis and determinants of social enterprise policy
- to enhance understanding of social enterprise in the policy environment

In order to achieve these aims and objectives, the following research questions were formulated under the basic question *“how was social enterprise policy shaped and how did it function during the period spanning 2006-2010?”*:

1. What are the main themes of social enterprise policy in the political, economic and social context?
  - A. What kind of political agenda for social enterprise was created in the UK Parliament during the period spanning 2006-2016?
  - B. How were the social and economic missions of social enterprise reflected in the UK’s economic and social policy during the period spanning 2006-2016?
2. To what extent is the UK policy getting close to the concept of social enterprise in practice?

3. What are the major issues which the UK government intended to address through social enterprise policy?

The answers to these questions can be found in the following empirical chapters and discussion chapter. More specifically, the answer to question number 1 is addressed in the following empirical chapters: Chapter 5, 6 and 7. Based on the findings from the empirical chapters, the answers to questions 2 and 3 are provided in the discussion chapter.

### **Method of Inquiry: Document Analysis**

To accomplish these research aims, a qualitative research method was used. A detailed literature review was conducted to understand the policy settings of the particular period under review and to identify the causality between policy instrument and social enterprise development. All data were collected from policy documents published by the government, the social enterprise sector, and Parliament from 2006 to 2016. Based on a review of selected official government side documents (issued by the Government, Social Enterprise UK and Parliament), the research endeavoured to extract policy themes and categorise policy agendas. Following this, I attempted to identify the main features of social enterprise policy in the political, economic and policy discourse, while embracing other themes; I also tried to explain these features by tentatively relating them to factors regarded as their determinants.

Before describing this research in more detail, there is an accompanying explanation of document analysis. Bowen (2009) defined document analysis as “a systematic procedure for reviewing or evaluating documents – both printed and electronic (computer-based and Internet-transmitted) material” (p. 27). Document analysis is an analytic approach used to establish how the form and substance of communication, as well as its underlying meanings and ideas, are revealed through analysing patterns in elements of the text, such as words or phrases (Yang & Miller, 2008, p. 689; Bowen, 2009, p. 27). Here, texts are empirically coded based on a coding system which has been created by a researcher; the aim is to observe the messages conveyed (Babbie, 1999, p. 286). Available materials which are regarded as sources for document analysis include: advertisements, agendas, application forms, attendance registers, autobiographies, background papers, biographies, books and brochures, charts diaries and journals, documents containing statistical data, event programmes, historical society offices and organisational or institutional files photographs (and other images), letters, manuals, maps, memoranda, minutes of meetings, newspaper

archives and newspapers, organisational or institutional reports, press releases, programme proposals, radio and television programme scripts, summaries, survey data, various public records from libraries (Bowen, 2009, pp. 27-28; Prior, 2010, p. 112). Bowen (2009) recognised that these documents can provide the background and context of a research subject, as well as additional questions to be asked, supplementary data, means of tracking change and development, and verification of findings from other data sources (pp. 30-31).

Indeed, also of note is the fact that it is easy to access recently-published government policy statements and consultation papers such as State Papers, White Papers, Green Papers and so forth, to present policy aims, policy background and/or persuade people. In the United Kingdom, there are various kinds of documents related to policy: Announcement, Authorised article, Consultation outcome, Corporate report, Correspondence, Guidance, Impact assessment, News story, Open letter, and Press release. These documents contain a wide range of information about policy, and also influence/shape policy formulation processes, policy transformation, and policy implementation. Along these lines, Fereday and Muir-Cohrane's (2006) outline document analysis captured not only the identification of overarching themes of policy, but also the performance of policy implications (Cited in Bowen, 2009). In this research thesis, policy data is defined as information officially provided by institutions, including any kinds of official documents and records.

The practice of document analysis comprises two stages. In the first step of analysis, information is organised into categories related to the central questions of the research through 'content analysis' (Bowen, 2009, p. 32). Some (Bowen, 2009; Krippendorf, 1980) have reported that content analysis is the first-step stage of document analysis, and identifies meaningful data from texts. Holsti (1969) described it as a "technique for making inferences by objectively and systematically identifying specified characteristics of messages" (p. 14). Lunt (1999) expressed the benefits of content analysis in three ways: safe, cheap, and accessible (repeated opportunities to return to the data). Moreover, he argued that "content analysis is used in a wide variety of social research areas, including education, nursing, and other social policy fields that require examination of policy documents" (p. 7).

The second step is 'thematic analysis', which involves performing coding and category construction based on the data's characteristics; predefined codes are used to integrate gathered data and to demonstrate objectivity and sensitivity in the selection and analysis of data from documents (Bowen, 2009, p. 32). In the meantime, Fereday (2006) accepted the concept of thematic analysis from Dely, Kellehear and Gliksman (1997) as a way of searching

for themes that emerge as being important to the description of the phenomenon (p. 82). Through this technique, it may be possible to identify the recognition of patterns from the data in order to frame the categories for analysis (Fereday & Muir-Cochrane, 2006).

Following Bowen's (2009) instruction of document analysis, this research was conducted according to the sequence of process content and thematic analysis. In particular, I refer to Fereday's work (2006) in coding, framing and analysis.

### **Data Collection and Selection Strategy**

The data collection method took the form of a document review for the period spanning 2006-2016. The initial stage in the development of the literature search strategy required the compilation of a list of themes and topics considered relevant to social enterprise policy. Keyword searches were performed to collect related policy documents which contained the following terms:

- Social enterprise;
- Social enterprises;
- Social enterprise AND policy;
- Social enterprises AND policy;
- Social enterprise AND provision;
- Social enterprises AND provision.

These terms were used to choose documents which were relative to social enterprise among the various policy documents and written political discussions from the online archives of the UK Government and the Parliament.

The majority of the governmental documents were selected from Ministerial Departments, while a small portion of data was sourced from the remaining government bodies. Parliamentary documents came from Hansard transcripts in both the House of Commons and House of Lords, and were all related to social enterprise debates.

In addition, I added all policy reports and case studies from the social enterprise sector through Social Enterprise UK (SEUK) for the period of study; the purpose of this was to apply the double matching method in view of the policy target. Most documents were collected from the online archives of Social Enterprise UK and the Social Enterprise Coalition. The Social Enterprise Coalition is a former branch of Social Enterprise UK. A few documents were

collected from individual bodies of the UK third sector, including charities, social investment organisations, and research and consultancy organisations for social enterprise.

Through this process, 685 individual results were recorded, 569 of which were written UK government documents, while 46 were social enterprise sector documents, and 70 were parliament documents. Generally speaking, documents are published to announce the direction, evaluation, orientation, guidance, and introduction of policy in the government sector; such documents are also used to anticipate, develop, research, and review social enterprise-related policy in the social enterprise sector. Parliamentary records contain discussions surrounding the social enterprise agenda.

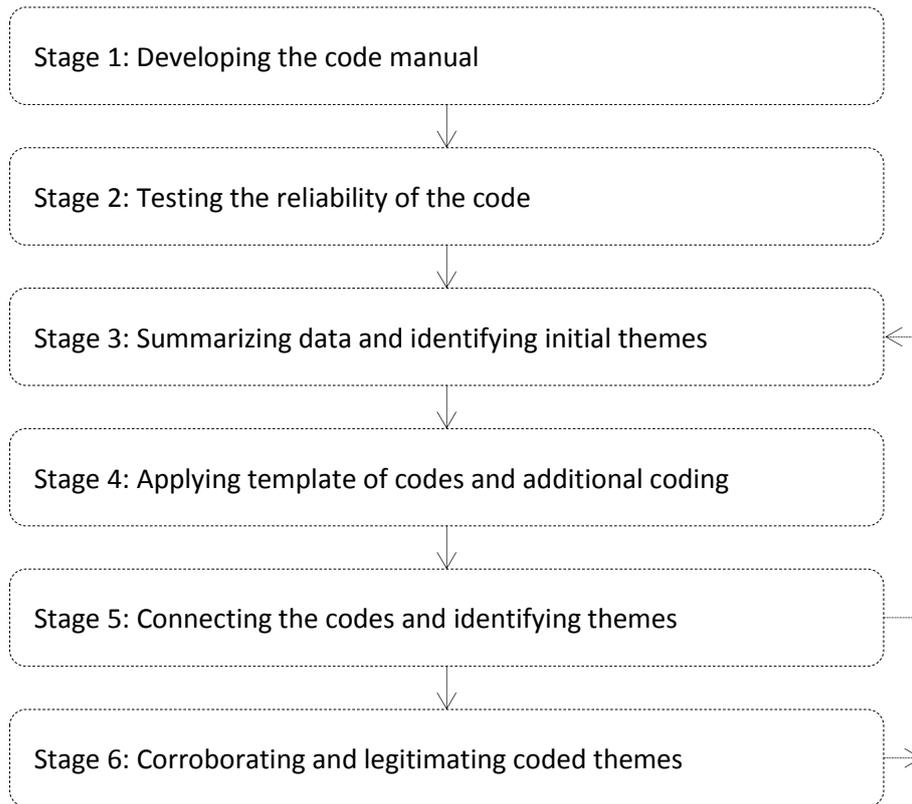
All of these documents were scanned into the QSR NVivo program in order to compile a corpus which could then be analysed. Certain queries were executed in order to complete the analysis, including text search, word frequency, and data coding. Further detailed explanations of the document filtering strategy and the list of results are provided in the following three empirical chapters (Chapter 5, Chapter 6 and Chapter 7). The data selection and exclusion criteria were formulated based on the codes developed in Chapter 6 and Chapter 7. The codes were generated by the major policy directions, which are clearly declared in policy documents. Furthermore, the code manual is also provided in these two chapters.

To corroborate the findings across the dataset, this research introduces the single matching and double matching methods; both methods involve collecting sources from different sectors of institutions. Patton (1990, cited in Bowen, 2009) explained that “triangulation helps the researcher guard against the accusation that a study’s findings are simply an artefact of a single method, single source, or a single investigator’s bias” (p. 28); despite this, however, the scholar also employed the single and double matching methods to accomplish his main goal, namely to establish the key political themes and policy themes of social enterprise.

## CODING PROCEDURE AND SUMMARISING INITIAL DATA ATTRIBUTES

### **Coding procedure**

For the data management process, this research employed Fereday and Muir-Cochrane's (2006) 'Hybrid approach'. The hybrid approach is a method of thematic analysis used for interpreting raw data in both inductive and deductive ways. To design the hybrid approach, they suggested six stages for coding data, as illustrated in Figure 2. Stage 1 involves developing a code manual. Indicators for coding are generated from research questions and theoretical concepts, following which they are organised in the table with the code label, theme definition and description for identifying the theme (Fereday & Muir-Cochrane, 2006). The codes are tested to determine the applicability in stage 2, and the selected code data are summarised and paraphrased in stage 3 (Fereday & Muir-Cochrane, 2006). During stage 4, Crabtree and Miller's (1999, cited in Fereday & Muir-Cochrane, 2006) template analytic technique is applied to identify meaningful units of text. Stage 5 is a phase which involves connecting codes to discover themes and patterns in the data; Validation procedure is performed at this stage to identify the similarities and differences between the groups (Fereday & Muir-Cochrane, 2006). The last stage involves corroborating and legitimating codes by further clustering the themes identified from the coded text (Fereday & Muir-Cochrane, 2006). In this process, text, codes and themes interact with each other during the stages, and a determined theme is drawn from the documents (Fereday & Muir-Cochrane, 2006).



[Figure 2] The Stages of Coding Data (Source: Fereday, 2006, p.84)

## Initial Issues of Social Enterprise Policy

Looking across the collected data, a wide range of issues emerged, as described in Table 5. These issues were then classified into categories.

[Table 5] Type of Issues Highlighted within the Data

	2006	2007	2008	2010	2011
Key element of policy	<ul style="list-style-type: none"> <li>Action plan</li> </ul>		<ul style="list-style-type: none"> <li>Working together</li> </ul>	<ul style="list-style-type: none"> <li>Big Society</li> <li>Working together</li> <li>Social outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>Assessment</li> <li>Social funding</li> <li>Boosting Big Society</li> <li>Interests of Community</li> </ul>
Legal Structure	<ul style="list-style-type: none"> <li>Charity Act 2006</li> </ul>		<ul style="list-style-type: none"> <li>NHS Pension Scheme</li> </ul>		<ul style="list-style-type: none"> <li>Charity Act 2011</li> </ul>
Challenges		<ul style="list-style-type: none"> <li>Children, young people &amp; family service</li> </ul>	<ul style="list-style-type: none"> <li>Health care service with NHS</li> </ul>	<ul style="list-style-type: none"> <li>Building social enterprise network</li> <li>Creating better environment for social enterprise</li> <li>Improving social enterprises</li> <li>Public service delivery</li> <li>Unemployment</li> </ul>	<ul style="list-style-type: none"> <li>Funding for social enterprises</li> <li>The start-up explosion</li> <li>Deprived community</li> <li>Social franchising</li> </ul>

	2012	2013	2014	2015	2016
Key element of policy	<ul style="list-style-type: none"> <li>• Fundraising</li> <li>• De-regulation</li> <li>• Partnership</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing Voluntary activity</li> <li>• Survey</li> <li>• Tax relief</li> <li>• Investment</li> <li>• Impact Measurement</li> <li>• Big Society</li> <li>• Environment</li> <li>• Partnership</li> <li>• Community</li> </ul>	<ul style="list-style-type: none"> <li>• Infra-structuring Social investment &amp; Social finance</li> <li>• Social Impact Measurement</li> <li>• Social impact bond</li> <li>• Tax relief</li> </ul>	<ul style="list-style-type: none"> <li>• Charity audit</li> <li>• Building Social investment Cases</li> <li>• Improving social investment</li> <li>• Fundraising</li> </ul>	<ul style="list-style-type: none"> <li>• Grant funding</li> <li>• Conversion to a charitable organisation</li> <li>• Mission-led business</li> </ul>
Legal Structure	<ul style="list-style-type: none"> <li>• The Public (Social Value) Service Act</li> </ul>		<ul style="list-style-type: none"> <li>• Finance Bill</li> </ul>		
Challenges	<ul style="list-style-type: none"> <li>• Public sector market improvement</li> <li>• Social enterprise exchange</li> <li>• Increasing social value</li> <li>• Financial help for voluntary and community organisations</li> <li>• The rise of outsourcing</li> <li>• Understanding Social Value Act</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Social Care</li> <li>• Local business and economy</li> <li>• Umbrella body of social enterprise and partnership</li> <li>• Social enterprise service supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Social value practice and future</li> </ul>	<ul style="list-style-type: none"> <li>• Future of social enterprise</li> <li>• Social trade</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen the social economy</li> <li>• Procuring</li> </ul>

Midgley (2009) argued that policy allows organisations to function in the wider social, economic, and political environment (p. 3). Following his argument, the present study broke down the discussion into three perspectives: political, economic and social. The purpose of this was to more rigorously address the social enterprise policy. In doing so, this research sought to make a contribution and stimulate interest amongst sociology, economics and political science scholars. As Figure 3 illustrates, the initial themes were classified as social outsourcing, tax-related discussion, procurement reform issues in the political boundary,

funding, fundraising, investment, social impact and audit categories in economic circumstances. It was also established that partnership, interests of the community, education, voluntary activity, big society and environment issues were present in social enterprise policy in the social context.



[Figure 3] Categorise of Social Enterprise Policy

### **Initial Coding Framework for the Analysis of Qualitative Data**

Based on the above-mentioned categories of social enterprise policy, the coding frame was set out according to the integrated review of policy documents. Firstly, some of the conceptual ideas were drawn from literature related to each category; secondly, concepts and approaches associated with social enterprise policy were reformulated as a series of questions which were used to re-interrogate the qualitative data. Lastly, the coding frame included differing types of questions utilised in the qualitative analysis. Detailed explanations and indicators for the above-mentioned framework are explained at the beginning of every analysis chapter; the brief framework for analysis can be found in Figure 4.

Data re-analysed for evidence of:	
Political Debate	Public Service Reform
	Bureaucracy to Governance
	Supporting social enterprise
Economic Perspective	Economic Crisis and Social Enterprise Policy
	Social Investment
	Social Impact
	Reform Funding Structure
Social Context	Awareness of Trust and Well-Being
	Competition to Solidarity
	Values and Changes of Community

[Figure 4] Initial Framework for the Analysis of Social Enterprise Policy

**CONCLUSION**

In many respects, prevailing approaches to policy studies can be easily transferred to the exploration of social enterprise, although this relies on the meaningful operationalisation of social enterprise as an observable concept first. In this chapter, I discussed how to approach social enterprise policy to identify the relevant themes; I sought to utilise a range of issues and conceptual approaches associated with the analysis of policy which could be applied to social enterprise. Several of the policy and theoretical issues discussed in Chapter 2 and Chapter 3 were also incorporated into the analytical framework, thus ensuring sufficient flexibility to take into account the emergence of new ideas or conceptual approaches ‘grounded’ in the data. In this chapter, a conceptual framework for the analysis of social enterprise policy is represented in Figure 4, alongside the explanation of data collection and distribution. Moreover, the data coding stage is described in Figure 2.

In the next chapter, according to the detailed framework and developed indicators, the analysis of the social enterprise policy is undertaken according to the above-mentioned categories (see Figure 2).

## CHAPTER 5

### POLITICAL ISSUES IN RELATION TO SOCIAL ENTERPRISE POLICY

#### INTRODUCTION

UK politics from 2006 to 2016 is divided into three governments: New Labour (2006-2010), the Coalition (2010-2015), and the Conservative government (from 2016). Each government has unique features and policy objectives; for example, New Labour's features and objectives are represented as governance, and the Third way.

During the period spanning 2006-7, under the third term of New Labour, the government focused on 'Public Service Reform' to deliver public services efficiently. The Cabinet Office published a report on 'Public Service Reform' in 2006, at the end of the Blair Government. The report revealed that public service reform had been designed to respond to changes in public attitudes, expectations and increasing public spending (Cabinet Office, 2006b). The government recognised that the increased spending did not necessarily have a positive effect on service quality, efficiency and fairness; as such, it started to improve the public service delivery system, to make it more: citizen-centred, universal, efficient and effective, equitable, excellent, and empowering (Cabinet Office, 2006b, p. 5).

After Tony Blair's government, Gordon Brown announced an agenda which involved "drawing on the talents of all to create British jobs for British workers"; this announcement was made amidst pressure stemming from international, national and social circumstances (Geddes, 2013, p. 100). However, the agenda still remained in draft form, because of the 2009 economic recession. Moreover, the final two years of Brown's Government were dominated by the effects of the economic crisis (Geddes, 2013, p. 100).

In 2010, the Coalition Government was established. The key agenda of this government was: to safeguard national security; tackle debts and the deficit; support sustainable growth and enterprise; balance all regions and industries; promote the green industries; reform the banking system, welfare, taxes and schools; extend transparency of public life; and create Big Society (HM Government, 2010, pp. 7-8).

The Coalition Government also pushed forward a public service reform within both policy and legislation. The main aims of this priority were: (1) to share services across government;

(2) to make government services and information simpler, clearer, and faster; (3) to increase the quality of public services using a commercial model and public service mutual; (4) to reform public bodies so as to make them more efficient and effective; (5) to use the continuous improvement method in government; (6) to reduce the cost of running government buildings. Most of the pressures in this period were seen as reducing administrative burdens and efficient public services.

Both political parties were committed to growing the third sector (Hunter, 2009, p. 1). Before the recognition of the third sector, there was cultural support for the organisations, which took the form of sport clubs and faith-based organisations, etc. Although there was no tool with which to measure or assess these organisations' performance or impacts, the public sector and ordinary people supported these groups with their own criteria. Lyon (2006) described this fact as the political nature of measuring social and community contributions, with political decisions having to be made with respect to what types of organisations are included and what indicators are used. While this may be hard to avoid, there is a need for greater transparency in terms of what is and what is not being measured (pp. 34-35).

In regard to the social enterprise sector, the changing political and economic context also presents challenges for social enterprises when it comes to performing voluntary activities, and for supporting bodies when it comes to measuring performance and impacts. The key political discussion starts from this point. Measuring performance and impact is an important decision-making process, and must be prioritised, regardless of whether it is financial support or administrative help. For the social enterprise sector, adequate support through fair performance measurement criteria is crucial. As social enterprises target niche markets as private and public goods service providers, a strong relationship with public or private sector organisations is inevitably required. Moreover, social enterprise scholars have paid attention to the government as a more significant actor in terms of delivering public-commissioned services under the policy provision. This is why the political issues surrounding social enterprises converged more on resource allocation. Throughout these periods, a number of questions became key political agendas; such questions were focused on how to efficiently allocate public resources to social enterprises, how to enlarge the portion of social enterprises in public service delivery, and how to support social enterprises fairly (Lyon, 2006).

In this political context, the present chapter provides detailed political discussion related to the social enterprise sector during the period spanning 2006-2016. To extract key themes from the debate, the Parliament Hansard record was explored, and various topics were collected from the debates between MPs and Ministers.

## RESEARCH QUESTIONS AND RELEVANT DATA

Of prime importance in this research is the following question: “what are the main themes of social enterprise policy in political, economic and social contexts?” To answer this question, the present chapter address another question, namely “what kinds of political agendas for social enterprise were created in the UK Parliament during the period spanning 2006-2016?” It is through this examination process that the major agenda and supporting remarks can be suggested in the present chapter.

To perform this process, written transcripts which were recorded by the Parliament Hansard were used. All of the initially-collected transcripts were examined using keyword and keyphrase searches to identify terms relevant to social enterprise (see the data collection section in Chapter 4); the list of the results can be found in the table 6 below.

[Table 6] Research Question and Relevant Data Source to Examine Political Issue

<b>Research Question</b>	<b>List of Documents (Parliament Hansard)</b>
What kinds of political agenda for social enterprise were created in the UK parliament during the period spanning 2006-2016?	Health: Primary and Community Care (2010)
	National Lottery Reform (2010)
	Public Services (Social Enterprise and Social Value) Bill (2010)
	Outsourcing of Public Services (2012)
	Social Economy (2014)
	Social Enterprise (2014)
	Civil Society (2015)
	Charities (Protection and Social Investment) Bill (2016)
	Children and Social Work Bill (2016)
	Disability Employment Gap (2016)
	Employment for People with Disabilities (2016)
	Social Investment (2016)
Young People’s Mental Health (2016)	

Selected sources were analysed by NVIVO processing the 100 most frequent word queries; the results were filtered according to specific criteria, which can be found in the table 7

below. With a focus on selected words, a text search query was executed in NVIVO, following which reading and re-reading processes were applied in order to organise the main political themes and supporting statements.

[Table 7] Selection and Exclusion Criteria to analyse Political Issue

	<b>Included</b>	<b>Excluded</b>
<b>Type of word</b>	Noun, gerund	Verbs, adjectives, adverb
<b>Association to Political context</b>	Bills, acts, amendments, funds, health, providing, investments, community, committee, regulators, councils, Charity, economy, society	Contribution, works, needs, member, friends, organisations

Through this process, the present chapter aims to provide a theoretical and contextual framework to analyse social enterprise policy; this is achieved by examining political discussion.

## POLITICAL THEMES OF DISCUSSION FOR SOCIAL ENTERPRISE

### Discussion on Conceptual Frames of Understanding Social Enterprise

#### Social Economy

The key subjects of the debate surrounding the social economy can be categorised as social enterprise, social value and social investment. The debate started with Hazel Blears' (Salford and Eccles MP) presentation about the development of social enterprises' size, economic contribution to the GDP, and social problems resolutions (including unemployment, work, health, and families in the community) (Parliament UK, 2014a). She placed particular emphasis on the notion that social enterprises should come up with solutions for young people (Parliament UK, 2014a). She suggested three ways in which the government can support social enterprises and thus lead them into the mainstream: (1) The government must truly recognise that social enterprise is a corporate form that can solve problems; (2) the government must look at financial incentives that can help to grow and incubate social enterprises (tax relief and assessment of business rates); (3) the government must work with the European Union and look at state aid issues (Parliament UK, 2014a).

Secondly, with regard to social value, Hazel Blears argued that the government needs to work in partnership with the EU and use the procurement and social investment market while considering the consistency principle and the standardised measurement of social value (Parliament UK, 2014a). She mentioned the Fujitsu case as an example of how to introduce successful social impact and social investment.

*Fujitsu is examining its whole supply chain in terms of social impact and Interserve has recently invested in a social investment bond to fund a social innovation centre, which is amazing. (...) The synergy of public, private, voluntary and mutual social enterprise is a powerful and irresistible idea. I ask the Minister to go with the grain and make his name—his mark—on this agenda (Parliament UK, 2014a).*

Nick Hurd (Ruislip, Northwood and Pinner MP) suggested two discussion topics on the social economy.

*First, how do we find better solutions to the social challenges that undermine this country and carry unacceptable costs—both financial and, more importantly, human? Secondly, as the right hon. Lady herself asked, how do we help British business to sharpen its competitive edge in the modern world, to build trust—a crucial but fragile ingredient of value creation—and to generate social value? Those two opportunities come together within the social economy (Parliament UK, 2014a).*

Moreover, he emphasised the importance of innovation and social entrepreneurship, as well as the spirit of innovation when it comes to unlocking the potential of social enterprise and social investment (Parliament UK, 2014a).

In addition to this, Barry Sheerman (Huddersfield MP) recognised social enterprise as 'enterprise' (Parliament UK, 2014a). He stated:

*Social enterprise is enterprise—it is entrepreneurial. People have to be good at it. Social enterprises need to have people in their trusts and on their boards who know about numbers and finances because they have to pay wages, watch their cash flow and do all the things that any other enterprise does. They also need people with vision, who can say, "This is the trend. This is what is happening." (Parliament UK, 2014a).*

He also pointed out weaknesses of social enterprise in funding structure during financially-difficult times:

*I found that it became really difficult to use the conventional ways of raising money for social enterprise after the financial collapse of 2008. (...) but most of the sources for social enterprises suddenly dried up. (...) a lot of good social enterprises have gone to the wall. Certainly a large number in the environmental sector did so simply because there were no longer sources of funding. That is a cause for concern and it would be worth conducting an analysis of what happened in the environmental sector (Parliament UK, 2014a).*

He assumed that crowdfunding is the best way of supporting social enterprises with social impact investment to improve the community and society (Parliament UK, 2014a).

Chris White (Warwick and Leamington MP) argued that the reason why social enterprises are valuable is that they involve many actors working together within alliances, such as Social Enterprise UK.

*Social Enterprise UK, and all the charitable bodies and their umbrellas. Our local political representatives are key players and do fantastic work on the ground supporting their constituents I believe we should make these things more accessible to them. (...) Whatever party people support, they should be able to put in their manifestos what they are doing to help local community organisations (Parliament UK, 2014a).*

Chi Onwurah (Newcastle upon Tyne Central) referred to social enterprise and social value as the most efficient tools with which to rebuild the economy during the biggest crisis of capitalism (Parliament UK, 2014a). However, she approached social enterprises in a different way from the government:

*The Government may be keen to get back to a business-as-usual approach to the economy, but the Labour party wants social enterprise and a social economy to be at the heart of things. Social enterprises help to build and sustain communities, and their hearts beat to the same pulse as that of the Labour movement's founders—namely voluntarism and collective action, as my hon. Friend the Member for Huddersfield eloquently described (Parliament UK, 2014a).*

This statement demonstrates the different views on social enterprise between political parties. Moreover, she argued that the government must work as a whole towards delivering social good through public services rather than simply shifting burdens around by cost-cutting in one area while creating new needs in another (Parliament UK, 2014a). From this perspective, “Successive governments have sought to support social enterprise in public service delivery, yet public procurement remains a significant and growing concern” (Parliament UK, 2014a).

### **Civil Society**

In the civil society discussion, Lord Bridges of Headley’s (The Parliamentary Secretary, Cabinet Office) statement is extracted as the key argument related to social enterprise. As can be seen in the data, she emphasised the need to encourage community participation; achieve an increased level of giving and philanthropy; create more businesses with greater sustainability; generate more social investment; and create positive social change as well as stronger, more resilient, more capable and more empowered communities.

*(...) this Government would like to see more social action and volunteering, with community participation embedded in our lives from young people’s schooldays onwards. We would like: increased levels of giving and philanthropy; more businesses with greater sustainability at their heart; more social investment, enabling investors who want to use their money to have a profound social impact and deliver positive social change; and stronger, more resilient, more capable and more empowered communities, with a rebalancing of power away from government, enabling those communities to make more of their own decisions, shape their future and respond to the challenges that they face. But, where people need them, we would like better, more responsive public services, utilising the expertise of voluntary, community and social enterprise sector volunteers (Parliament UK, 2015a).*

### **Supporting Social Enterprises**

#### **Enacting Legislation to Support Social Enterprise**

- Public Services (Social Enterprise and Social Value) Bill

Discussion of this Bill started with Chris White’s (Warwick and Leamington MP) brief introduction to said Bill. The Public Services Bill is legislation which encourages a big society

agenda and embraces many opinions and oppositions (Parliament UK, 2010c). The key objectives of the Bill are to “help to realise a stronger society and to build on bonds within communities”, and to “empower and champion civil society to create the conditions for civil society to flourish social activities from voluntary organisations” (Parliament UK, 2010c).

In the record, Chris White described the contents of the Public Services Bill. According to his explanation, the overall aims of the Public Services Bill consist of three parts: two parts related to strategies of social enterprises in the economic context, and a final part pertaining to the rationale of social enterprise (Parliament UK, 2010c). On the basis of the Bill, it can be concluded that the Social Enterprise Coalition and various social enterprises are playing an increasingly-influential role in contemporary economic and social development (Parliament UK, 2010c).

As stated by Chris White, the political aims of this Bill are to ensure that the social economy is supported during difficult economic times, and to aid social enterprise businesses so that they do not fail (Parliament UK, 2010c). To achieve these goals, the role of VCSEs (voluntary, community and social enterprises) is important, as is securing politicians’ public confidence (Parliament UK, 2010c).

There are several aims of the Bill. First, the Bill does not allow social enterprise to become dependent on the state for funding (Parliament UK, 2010c). Chris White argued that this dependence is damaging to civil society, and undermines the empowerment of communities (Parliament UK, 2010c). Second, the Bill pursues two separate values for individuals, authorities and the commissioners. White stated that the former values pertain to people’s personal interests, while the latter involves the interests of the taxpayer and wider society (Parliament UK, 2010c). In regard to this value, social enterprises play their role in bidding for public services and providing better value for money (Parliament UK, 2010c).

Third, under the recession category, the civil society and community are referred to as key actors which protect any taxpayer money spent on services, and adapt social value to the public service market (Parliament UK, 2010c). He believed that, by using community groups, mutuals, co-operatives, charities and social enterprises to deliver public service, the public sector can achieve better value and a better deal for the community (Parliament UK, 2010c).

Fourth, the Bill contains the consolidation of all strategies across the government in one clear category, including strategies for supporting VCSE put forth by the Cabinet Office and the Department for Communities and Local Government, as well as a social enterprise promotion strategy from the Secretary of State (Parliament UK, 2010c).

Fifth, the Bill deals with social enterprise under the strategy of locally-sustainable communities (Parliament UK, 2010c). The strategy involves considering such strategies and promoting engagement with social enterprises to generate more community-led and community-based solutions, thus empowering communities by promoting the vehicles that they can use to deliver solutions (Parliament UK, 2010c).

In response, Hazel Blears (Salford and Eccles MP) agreed with the idea of extending social enterprises and involving communities in helping to run them (Parliament UK, 2010c). However, she argued that “the Bill tries to formalise that position and use the power of public procurement to ensure that community groups, which are often fragile and lack sustainable resources, can have a sustainable future. That is at the heart of the Bill” (Parliament UK, 2010c). She presented several successful cases of social enterprises and summarised the benefit of the Bill as “re-engineering the system so that it positively encourages people to come forward” (Parliament UK, 2010c).

On the other hand, Hazel Blears illustrated several limitations of the Bill. First, she pointed out that the Bill is less concerned about differences between social enterprise development and privatisation (Parliament UK, 2010c). She requested that the Bill be revised so that it reflected all concerns of the whole sector (Parliament UK, 2010c). Secondly, the Bill contains a weaker definition of social enterprise (Parliament UK, 2010c). For the same reason as the first limitation, a blurred definition can generate confusion between social enterprise and the private sector in terms of its own value (Parliament UK, 2010c). Third, she drew attention to a lack of regulation to secure accountability in the public service delivery system carried by social enterprises (Parliament UK, 2010c). Fourth, she revealed concern about the funding of social enterprises (Parliament UK, 2010c). Although there are several funding programmes (transition fund, New Economics Foundation, and New Philanthropy Capital), they are not sustainable due to the cutting of local government budgets during the recession (Parliament UK, 2010c). Finally, she stated that an important problem is personalised public service provision rather than a consolidated view, which is delivered by social enterprises (Parliament UK, 2010c).

Harriett Baldwin (West Worcestershire MP) expressed a different view on privatisation and unsustainable funding (Parliament UK, 2010c). She stated that with many social enterprises working on a commercial basis, their activity takes on a public character. Moreover, it is true that numerous social enterprises rely on funding programmes, but some of them are independent from funds run by both the government and funding bodies through the market system (Parliament UK, 2010c).

- Charities (Protection and Social Investment) Bill

Rob Wilson (Reading East MP) indicated that charities originally had powers to lead investment through both financial investment and by performing charitable missions (Parliament UK, 2016a). However, the key challenge related to the Bill is requesting the introduction of more power to ensure social and financial return simultaneously. Wilson advocated this new requirement in the context of important regulatory framework to encourage and support social enterprises and secure social investors (Parliament UK, 2016a).

- Children and Social Work Bill

With regard to this Bill, there has been constant debate between Lord Warner and Lord Nash (the Parliamentary Under-Secretary of State, Department for Education) on the publicity and legitimacy of social enterprise in the Children and Social Work field. Lord Warner has been sceptical about public services reforming to social enterprises (Parliament UK, 2016b). In his view, social enterprise does not have any criteria to assess the accountability of public service delivery, and most of the public sector work is surplus, in contrast with the definition of social enterprise (Parliament UK, 2016b). On the other hand, Lord Nash expressed positive views on social enterprise in terms of better service delivery than other organisations and legislation for the Children and Young Person Act 2008, as well as related regulations.

### **Funding Social Enterprise**

- Social Investment

In 2015, Oliver Letwin (West Dorset MP) stated that the government was committed to the social enterprise sector and to creating frameworks within social enterprise that can flourish. Moreover, he mentioned that social impact bonds (a social investment approach) as a whole represent a new future for the social enterprise sector:

*The Governments are totally committed to the social enterprise sector. (...) I serve in my village community shop—we all undertake these things. More than that, however, it is about creating the framework within which social enterprise can flourish. (...) Friend the Member for Enfield, Southgate (Mr Burrowes) that social impact bonds offer a whole new future for the social enterprise sector (Parliament UK, 2015b)*

In 2016, the record indicates a debate between Susan Elan Jones (Clwyd South MP) and Rob Wilson (Reading East MP). Firstly, Susan Elan Jones (Clwyd South MP) defined “social enterprises trade to tackle social problems” and “improve communities, people’s life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community. And so when they profit, society profits” (Parliament UK, 2016e). According to her perceptions, social enterprise is worth investing in because of its success in addressing deprived communities. She stated that social enterprise is an omnipotent provider of public services:

*Social enterprises are everywhere and can do almost anything. They are coffee shops, cinemas, pubs, banks and bus companies, to give but a few examples. Allow me, Mr Chope, to use the example of a social enterprise in my constituency: Splash Community Trust, which runs Splash Magic. That social enterprise was formed to reopen Plas Madoc leisure centre after Wrexham County Borough Council decided to close it in April 2014. The local community came together to save the facility, which the Splash Community Trust now runs for the benefit of the community. Splash Magic provides not only swimming and leisure facilities for the local community, but employment for local people, tackling health, employment and social problems. It is a great success story. This debate is about Splash Magic and every other social enterprise in our country, and how best we can support them (Parliament UK, 2016e).*

In addition, she emphasised the importance of social investment, which assists voluntary organisations, as well as community and social enterprises, in raising capital that they may not be able to secure from conventional investment sources (Parliament UK, 2016e). She stated:

*It also helps investors to find organisations that will deliver for them a social as well as a financial return. The Charities (Protection and Social Investment) Act 2016, with which the Minister will be very familiar, gave charities the power to make social investments (Parliament UK, 2016e).*

Meanwhile, Elan Jones pointed out that the inappropriate regulations for social enterprise accounting make it difficult for social enterprises to take out loans (Parliament UK, 2016e). She suggested introducing the concept of quasi-equity to the social investment market to ensure stable benefits for both investors and social enterprises (Parliament UK, 2016e). This means that there exists a principle whereby more investment is allocated to better social enterprises, and less or no investment is allocated to poorly-performing social enterprises. He expectation was that this idea could help social enterprises to work with local authorities through the commissioning of contracts (Parliament UK, 2016e). In addition, she stated that the quasi-equity concept also secures fairness of investment between social enterprises and other commercial firms if there are different criteria to assess the two sectors (Parliament UK, 2016e). She put forth social impact bonds as a representative example to support her idea:

*Some of us see social impact bonds as an effective way of de-risking contracts for the delivering social enterprise and the commissioning body, and as a good way for social enterprises to tap into available funds and have a social impact without the cost and commitment of loan or quasi-equity structures (Parliament UK, 2016e).*

Secondly, Rob Wilson (Reading East MP) agreed with the usefulness of social enterprise and social investment. As an example, he provided the following:

*I visited the social enterprise Clarity, which has been providing employment for blind and disabled people for 160 years. Employment in manufacturing a range of beauty and household products enables Clarity's staff to develop their independence, build their confidence and play a full part in society. Such organisations demonstrate exactly why I am so committed to the sector, which is why I am determined to build their resilience and sustainability so that they can thrive and grow (Parliament UK, 2016e).*

- National Lottery Reform

This debate pertains to the reform of the Lottery Fund, and specifically spending it in valuable and efficient ways. This subject is not so much about the social enterprise sector, although there have been many discussions regarding voluntary sector organisations. The National Lottery is the biggest funding body for social enterprises and community businesses in the UK.

Indeed, a mention of social enterprise is found in Stephen Gilbert's statement:

*(...) When the lottery was first created, we did not anticipate the increasing importance of social enterprises. It is important that any restrictions on Big are flexible enough to enable it quickly to embrace future innovations and changes. I welcome the recent announcements about the big society bank, which will work to enable similar projects, but it seems worth giving the Big Lottery Fund the flexibility also to fund projects in its own way (Parliament UK, 2010b).*

The overall stance on funding social enterprises is positive in this statement. However, according to Richard Fuller (Bedford MP), problems related to the funding of social enterprises include lack of regulation and legislation (Parliament UK, 2010b).

*The first relates to regulation and registration. There are concerns that too tight a focus, particularly on charitable purposes, will have the unintended consequence of rendering a number of social enterprises unable to undertake the very important work that many hon. Members on both sides of the House want them to continue (Parliament UK, 2010b).*

Fuller suggested that the Minister enacts regulation of social enterprises to assure proper and fair funding (Parliament UK, 2010b)

*I was making a point about the registration of social enterprises. I think that companies limited by guarantee are regulated by Companies House, and community interest companies obviously have their own regulator, so will the Minister be kind enough to confirm that in the regulation of social enterprises, that will not be listed as the sole reason for their exclusion under the new rules? That would provide a lot of reassurance to many of the organisations that we are talking about (Parliament UK, 2010b).*

According to his argument, the double registration problem creates confusion amongst investors and regulation authorities as to the identity and the size of social enterprises (Parliament UK, 2010b). Since social enterprises do not have their own regulations, organisations should be registered with one of the forms in order to become a social enterprise (amongst charities, companies limited by guarantee, community interest companies, industrial and provident societies or co-operatives). The problems occur when some social enterprises register themselves to several forms at the same time. Fuller emphasised social enterprise registration as a means to accomplish the aim of big society, and to preserve the vibrancy of social enterprises and small community groups (Parliament UK, 2010b).

He also argued for capacity building in social enterprises in terms of investors' perspectives. According to his statement, social enterprises must take responsibility for achieving social goals and meeting the requirements of the Lottery Fund (Parliament UK, 2010b). As the National Lottery fund aims to fund good work for the long-term, it is more encouraging when it has a long-term impact in communities (Parliament UK, 2010b).

- Outsourcing of Public Services

With regard to the government-published report entitled "the Shadow State", there were numerous debates in Parliament focused on the value of localisation versus large national public service providers, and how this secures accountability and transparency.

Chris White (Warwick and Leamington MP) firstly revealed his concern about public service outsourcing in terms of the lack of transparency and accountability, with information from delivered public services hard to come by (Parliament UK, 2012). Secondly, he noted the risk of public service domination by a small group of large multinational businesses and the difficulties that small business, charities and social enterprises have experienced in accessing the provision of public services (Parliament UK, 2012).

With regard to this statement, Richard Fuller (Bedford MP) questioned the stance of the government on the social enterprise locality agenda and publically declared his discontent with the national government still possessing commissioning authority (rather than the local community) and large national public service contractors (Parliament UK, 2012).

In response to this question, Chris White indicated that both local social enterprises and large national contractors have the potential advantage of being able to deliver better

public service to the community. However, he also stated that there is a clear difference between the two in terms of seeking returns (Parliament UK, 2012).

*Social enterprise combines the need to deliver profitability, to innovate and to deliver better outcomes with a sense of community purpose. Not only that, but most social enterprises reinvest their profits either back into the services they provide, or into the communities where they are based. Moreover, through the structure of community interest companies, which are a model that many social enterprises are adopting for public service delivery, communities are directly involved in the governance of the organisation. That gives communities greater levels of accountability than if those services are provided by larger organisations with less accessible governance structures such as multinational corporations (Parliament UK, 2012).*

Sajid Javid (The Economic Secretary to the Treasury) explained governmental effort to improve the quality of public services and the delivery system through the “Open Public Services” White Paper, which comprised five principles: choice, decentralisation, fairness, accountability and diversity (Parliament UK, 2012). The Social Impact Bond (SIB) was also mentioned in this point to introduce new types of government contracts; these contracts are based on payment by result and reports the SIBs have been throughout the UK, tackling reoffending, youth unemployment, homelessness and family breakdown (Parliament UK, 2012).

### **Application of Social Enterprise**

- Health (Primary and Community Care)

As can be seen from the data, the term ‘social enterprise’ first emerged in 2010. Debate at the time focused on ‘Health: Primary and Community Care’ and how to improve health and the social care system. Lord Andrew Mawson firstly mentioned adopting the concepts of social entrepreneur and social enterprise in the UK health care field:

*There is a wealth of untapped social entrepreneurial talent in our country. Many of these entrepreneurs have it in them to generate creative and innovative approaches to primary and community care. There are hundreds of latent and undernourished third-sector organisations in this country with the capability to*

*become like Bromley by Bow and take on the task of transforming how public services are delivered in communities up and down the UK (Parliament UK, 2010a).*

In his argument, Mawson first summarised the barriers preventing the establishment of contracts with service providers; moreover, he insisted on the potential advantage of social entrepreneurship in terms of innovative and creative ways of improving the health and social care field. Secondly, he strongly suggested a partnership between the third sector and social enterprises in integrated schemes which address the real, practical day-to-day issues that face patients (Parliament UK, 2010a). He presumed that social enterprise is available to fill the social gaps that the NHS cannot afford to address, e.g. social housing, underachievement in education, credit card debt, fear of bailiffs, concern over street violence and anti-social behaviour, as well as the lack of opportunities for people to take control of their lives; indeed, he posited that this would be possible through the partnership between the social enterprise sector organisations (Parliament UK, 2010a).

Baroness Thornton agreed with Lord Mawson's idea of introducing social enterprise. She argued the necessity of the LIFT programme, which is delivered through the community health partnership, and the development of the social enterprise sector in the health and social care field over the last 10 years. According to her argument, social enterprise is worth paying attention to, particularly given its unique organisational feature of no financial commitments to shareholders or owners and profit reinvestment for the community (Parliament UK, 2010a). Moreover, since the last Labour Government, the policy experiment of the Department of Health has illustrated the advantages enjoyed by social enterprises in terms of patient satisfaction and the broader vision for the NHS (Parliament UK, 2010a). Baroness Thornton, therefore, advocated developing social enterprises in the health and social care sector through contracts with the government.

*If the Government are serious about developing social enterprises to deliver primary healthcare and other services within the health service, a contract of three to five years will be vital for those businesses (Parliament UK, 2010a).*

On the other hand, she expressed concern about the unfair competitiveness between social enterprises and other private and public service providers.

In response to these political ideas, Earl Howe (the Parliamentary Under-Secretary of State, Department of Health) stated:

*By responding to local people and by being led by them, the Bromley by Bow Centre and other social enterprises are transforming communities in a way that the state cannot. This is the big society in action. Far from supporting them, however, the state has too often acted as a barrier to social entrepreneurs, limiting what is possible. This needs to change (Parliament UK, 2010a).*

Moreover, to dispel the concern generated by Baroness Thornton, Earl Howe also stated that:

*We will encourage “any willing provider” to compete to provide the best outcomes for patients... We will support the creation and expansion of mutual organisations, co-operatives, charities and social enterprises. These will have a place, above all, in the provision of community services, with the quality of those services driven by innovative approaches to delivery (Parliament UK, 2010a).*

In addition, he suggested that enhancing partnerships with local primary schools, local residents and a wide range of grassroots representatives would provide counselling services, an allotment and food co-operative, advice services, and a business support unit capable of functioning as an ‘open door’ organisation (Parliament UK, 2010a). To support these social enterprises, he also gave the “Social Enterprise Investment Fund” as an example of a successful case.

#### - Disability Employment

Discussion on disability employment is divided into two main subjects. Indeed, said discussion started with the lack of governmental capacity in terms of being able to afford to embrace disabilities regarding employment (called employment gap). Second, discussion focused on the debate surrounding how to make it easier for disabled people to access the job market (Access to Work Scheme).

Firstly, regarding the employment gap, Stephen Crabb (Preseli Pembrokeshire MP) illustrated that the Bermondsey model, which involves employing people with learning disabilities in South London, has become motivation for supporting people with disabilities (Parliament UK, 2016c). He concluded that this model produced decent results, with many disabled people finding jobs during the period spanning 2014-2016, despite economic hardship (Parliament UK, 2016c). However, this does not mean that the gap is filled by social enterprises.

Secondly, with regard to access for disabled people, Jim Shannon (Stangford MP) described the Access to Work Scheme as “a devolved responsibility” for disabled people working in partnership with the Department of Enterprise, Trade and Investment, and the Department for Employment and Learning (Parliament UK, 2016d). With regard to these organisations, Shannon stated:

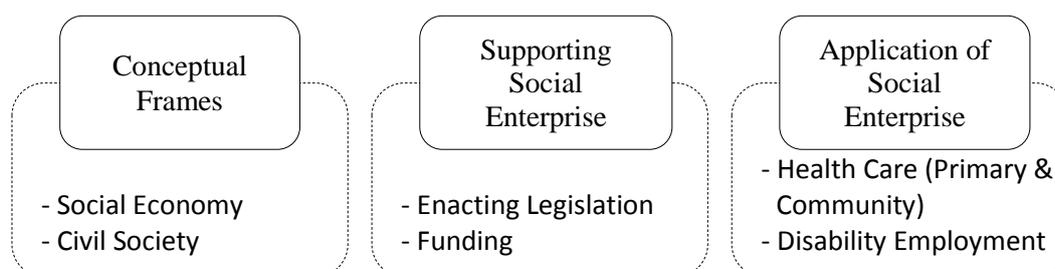
*These organisations have extensive experience of meeting the vocational needs of people with disabilities, and using them is a great way of advancing social enterprise and supporting that sector (Parliament UK, 2016d).*

However, contrary to Shannon’s expectation, David Simpson (Upper Bann MP) expressed the belief that social enterprises are under threat of closure due to lack of funding, even though they are providing excellent support, skills and qualifications to disabled people (Parliament UK, 2016d). Consequently, he argued that it is necessary to focus on supporting social enterprises and organisations rather than directly supporting disabled people, as a way of connecting social enterprises (Parliament UK, 2016d).

## SUMMARY AND CONCLUSION

This chapter focused on framing the political debate surrounding social enterprises. Through the data, it was possible to establish that most MPs and Lords are supportive of social enterprise itself, as well as the utilisation of social enterprises as a strategic tool for reform or social service delivery.

The major themes from the political debates during the period spanning 2006-2016 identified three main subjects. First, Parliament has been striving to understand social enterprise under the conceptual frames of ‘social economy’ and ‘civil society’. Second, Parliament has focused on supporting social enterprises through enacting legislation and funding. Third, Parliament has discussed ways to introduce social enterprise to solve several social problems.



[Figure 5] Identifying Themes of Political Social Enterprise Debate

Key issues concern the need to support the social enterprise sector through improving funds (social investment, social value, social impact), partnerships, raising regulation, clarifying definitions, securing transparency and accountability, localising, procurement reform, and having a well-designed framework.

The findings from this chapter imply that, firstly, the policy makers (MPs, Ministers) have paid attention to every stage of social enterprise development, from conceptualising to applying it to practical policy fields. Secondly, the political discussion has focused more on supporting social enterprises rather than encouraging them. Most arguments used as evidences to enact legislation or supporting policy whereas there were few discussions on origin of social enterprise and its proper roles.

[Table 8] Summary of Political Debate around Social Enterprise

Thematic Category	Themes of Debate	Arguments	Speaker
Conceptual Frames	Social Economy	-Presenting positive aspects of SE -Governmental support for SE through recognition of corporate, financial incentives, work with EU -Partnership with EU, procurement and social investment is crucial for SE	Hazel Blears (I)
		-Suggests discussion topic: why to find better solutions to the social challenge; way to sharpen social enterprises competitive edge -Emphasize social entrepreneurship and innovation	NickHurd (c)
		-Recognize SE as enterprise -Illustrate funding structure as SE weakness -Refer to crowdfunding as to the best way of supporting SEs	Barry Sheerman (I)
		-Importance of umbrella body of SE to make more accessible	Chris White(c)
		-Importance of SE and social value to address the crisis of capitalism -Necessity of Public procurement to support SE in public service delivery	Chi Onwurah (I)
	Civil Society	-Increasing community participation	Lord Bridges of Headley (c)

Thematic Category	Themes of Debate	Minor Themes	Arguments	Speaker
Supporting Social Enterprise	Rationale & Strategy for supporting social enterprise		-The Government commitment to supporting SE and social investment market	Brooks Newmark (c)
			-The government partnership with SEUK to encourage people to buy from SE	
			-Oxfordshire as a place for SE and tech expertise	Nicola Blackwood (c)
	-Social incubator fund for the UK social tech			
			-Importance of SE sector	Barry Sheeman (l)
	Enacting Legislation to Support Social Enterprise	Public Services (Social Enterprise and Social Values) Bill	<ul style="list-style-type: none"> <li>-Aims to ensure SE supporting during difficult time not to fail their business</li> <li>-Consisted of strategies of SE and rationale</li> <li>-The contents of the Bill <ul style="list-style-type: none"> <li>① Negative to SE dependency on the state for funding</li> <li>② Pursuing double values for individual and authorities or commissioner</li> <li>③ SE roles to secure proper public service delivery and achieve better value and deal for the community</li> <li>④ Designing consolidated strategy for SE</li> <li>⑤ Strategy for locally sustainable community</li> </ul> </li> </ul>	Chris White (c)
		<ul style="list-style-type: none"> <li>-Benefit: re-engineering the system encouraging people to come forward to successful SE</li> <li>-Limitations: <ul style="list-style-type: none"> <li>① Blurred boundary between SE &amp; privatisation</li> <li>② Blurred definition of SE</li> <li>③ Lack of regulation to secure accountability</li> </ul> </li> </ul>	Hazel Blears (l)	

			④ Unsustainable funding plan		
			-Privatisation issue: Most SEs working on a commercial basis but it does not mean that every social enterprises privatisation -Dependency issue: SE independency from funding through business model	Harriett Baldwin (c)	
		<b>Charities (Protection and Social Invest) Bill</b>	-Charities model make SE under the existing financial investment power & charitable mission -Law Commission recommendation: introducing a new power (elements) of social investment including social and financial return -Hackney Community Transport, Esmee Fairbairn Foundation examples: social investment by a charity that both delivers on its charitable and financial return -Importance of regulatory framework to encourage and support SE	Rob Wilson (c)	
			<b>Children and Social Work Bill</b>	-Critic to the public services transformation through contracting with SE -Lack of means to assess accountability of SE -Referring SEs as a company entitled to make surpluses	Lord Warner (cr)
				-The Children and Young Person Act 2008 and regulations 2014: ruling profit-making and relationship with local authorities in this section -SE providing better services than other alternatives	Lord Nash (c)
		<b>Funding Social Enterprise</b>	<b>Social Investment</b>	-The Government commitment to SE sector -The Government creating framework within SE can flourish	Oliver Letwin (c)

			-Mentioning social impact bond is new future for SE sector	
			-Defining “SE trade to tackle social problems” -Necessity of the concept of SE for deprived community -Social investment is crucial for helping SE to raise capital -Need to adopt the concept quasi-equity to social investment to secure benefits and fairness	Susan Elan Jones (I)
			-Agree to necessity of SE and social investment except complacent	Rob Wilson (c)
		<b>National Lottery Reform</b>	-Importance of funding SE to embrace future innovation and changes -Necessity of Big Lottery Fund reform to secure flexibility	Stephen Gilbert (Id)
			-Raising regulation and legislation issue Suggest regulation for SE -Encourage registration of SE to accomplish the goals of big society -Emphasize capacity building of SE	Richard Fuller (c)
		<b>Outsourcing of Public Services</b>	-Concerning the lack of transparency and accountability of outsourced public services -Notifying the risk of public service dominated by multinational businesses	Chris White (c)
			-Question about better outsourcing model between local contractor vs large national contractor	Richard Fuller (c)
			-Government’s 5 principles (choice, decentralisation, fairness, accountability and diversity) -Mentioned Social Impact Bond as new type of Government contract	Sajid Javic (c)

Thematic Category	Themes of Debate	Arguments	Speaker
Application Plan of Social Enterprises	Health: Primary and Community Care	-Introduction of the concept social enterprise (social entrepreneur) to health and social care field in the UK -Social enterprise is recognised as complementary tool for the NHS	Lord Mawson (cr)
		-Necessity of the LIFT programme -Positive recognition to Social enterprise in terms of organisational features and functions -Concerns the unfair competitiveness	Baroness Thornton (l)
		-Social enterprises transformed to communities in big society policy provision -Emphasize the partnership (not unilateral support) -Open door function -Enhancing Social Enterprise Investment Fund	Earl Howe (c)
	Disability Employment	-Bermondsey model becomes motivation for supporting people with disabilities -Social enterprise activities shows significant result for disability employment in economic hardship period	Stephen Crabb (c)
		-Access to work scheme is a devolved responsibility for disabilities -Working together with DETI and DEL, social enterprises and supporting sector draw a great examples for people with disabilities	Jim Shannon (dup)
		-Social enterprises for hiring disabled people are suffering with insufficient funding -Financial support for social enterprise is more crucial	David Simpson (dup)

(c)= conservative, (l)=Labour, (cr)= Crossbench, (ld)= Liberal Democrat, (dup)=Democratic Unionist Party

## CHAPTER 6

### GOVERNMENT ECONOMIC STRATEGY AND SOCIAL ENTERPRISE POLICY

#### INTRODUCTION

This chapter describes the policy review undertaken of published policy literature, with a focus on documents relevant to the UK economic context for the social enterprise sector. The search strategy is described, including details of the filtering process used to identify and collate relevant policy documents and social enterprise reports. A summary of the key findings and conclusion is also provided, together with an overview of the issues raised.

The aim of this policy review was to establish the extent of the existing social enterprise policy as a response to economic difficulties. It also sought to identify detailed policy implications, as well as current policy issues. The review is used in a wide variety of settings, for developing categories, and is particularly useful when it comes to identifying key questions and topics for further research. As such, I believe this approach would help to understand government economic strategy for social enterprises during the period spanning 2006-2016.

#### OVERVIEW OF THE ECONOMIC CRISIS IN THE UK

In order to conduct the policy review, there was a need to explore the economic context of social enterprise policy. It was also essential to allow for the development of thematic categories, as this made it possible for the literature searches to be built around each topic. As a starting point, I looked at economic policy over the ten-year period following 2006.

During the 2006-2016 period, several kinds of economic crises occurred across the globe. First, the 2007 collapse of the sub-prime mortgage market influenced the US financial institutions, and resulted in a banking crisis. Second, Furceri and Mourougagne (2009) concluded that the economic crisis of 2008, and beyond, was caused by failures in monetary policies, inadequate regulation of financial institutions, and problems in financial markets (cited by Buchan et al., 2013, p. 298). Faced with compounding economic challenges, a reduction in gross domestic product and in government budgets was causing social problems such as unemployment and a lack of health sector funding (Buchan, et al., 2013). Third, in relation to this, the UK economy was in the Great Recession in 2009. Because of

this downturn, the credit crunch led to a fall in bank lending, decreased consumer and business confidence resulting from the financial instability, a fall in exports due to the global recession, a fall in house prices leading to negative wealth effects, and fiscal austerity, which compounded the initial fall in GDP (Pettinger, 2017). The UK's GDP declined in the final quarter of the year (BBC, 2013).

After the economic crisis of the 1990s, there was a rise in the budget deficit. The government obliged by cutting public expenditure, and increasing taxes, thus encouraging small and innovative businesses (OECD, 2009). In addition, the government introduced unconventional monetary policies, and there was a surge in public-sector borrowing; as such, the need for a rethink of financial supervision was enforced (Hodson & Mabbet, 2009, p. 1041).

To respond to the economic downturn, the government first cut base interest rates from 5.0% in 2008 to 0.5% in 2009 (Webb & Long, 2011; Pettinger, 2017). Secondly, the government introduced two types of fiscal policy: 'Automatic Stabilisers' and 'Discretionary Measures' (Webb & Long, 2011, p. 20). The 'Automatic Stabilisers' policy means that wait economic cycle, and 'Discretionary Measure' does budget control mainly through adjustments to taxation (Webb & Long, 2011, p. 20). For example, the Labour Government reduced value-added tax temporarily to support the economy (2008-2009), and enacted the Fiscal Responsibility Act to increase taxes and reduce public spending; this was in stark contrast with the Coalition Government, which approached this issue by emphasising deficit reduction (Webb & Long, 2011, p. 20).

The crisis also led to a reduction of public funding for many services in times of need. Nick Hurd suggested that "we must consider how advice services can adapt to the new environment; achieve more through collaboration, early intervention and exploitation of remote channels; and deliver high-quality services that are sustainable in an environment of reduced funding" (Cabinet Office, 2012a, p. 3).

Concurrently, the government reformed financial support programmes for small businesses in 2009. The reform has resulted in growth of the social enterprise sector, as described below.

- In 2006, around £17bn, or 1.5% of UK gross domestic product is declined with unemployment problem, and the people who received benefits were increased (Boseley, 2006);

- In 2009, social enterprises are growing in significance, employing 650,000 people and contributing £8.4 billion per year to the UK economy (Hunter, 2009, p. 1);
- Much of the sector's income now comes from the state to deliver public services. For many, social enterprises have the ability to offer a different approach and ethos, between the profit-driven private sector and the one-size-fits-all public sector (Hunter, 2009, p. 1).

## RESEARCH QUESTIONS AND RELEVANT DATA

As a second phase in answering the major question “what are the main themes of social enterprise policy in political, economic and social contexts?”, this chapter address another question: “how were the economic missions of social enterprise reflected in economic policy in the UK during the period spanning 2006-2016?” To answer the key question of the chapter, I attempt to answer two sub-questions, as below:

- i. In what ways was economic policy for social enterprise shaped during the period?
- ii. What policy has been formulated in the economic context to support or utilise social enterprises?

To address these questions, documents were selected from the initially-collected pool if they contained the search terms ‘business’, ‘selling’, ‘profit’, ‘subsidy’, ‘investment’, ‘funding’, ‘fundraising’, ‘social\_impact’ and ‘audit’; the aim of this was to reflect the business feature of social enterprise. With regard to the results from this search, the researcher had to perform a further selection process to sort out the most relevant policy documents to be used for the final analysis. An individual keyword search results in excessive documents, and some do not include useful information to develop themes in the UK policy environment, such as the ‘global innovation fund’. As such, this process is useful when it comes to securing the effectiveness of analysis and developing policy themes. The questions below were used as the criteria for choosing key documents:

- How many keywords are included in the sourced documents?
- Does the document contain any specific policy case study related to the business features of social enterprise and economic policy?

- Does the document suggest an integrated view on social enterprise policy in terms of the economic perspective?

The result of the repeated selection can be seen in the table 9 below.

[Table 9] Research Question and Relevant Data Source for SE Policy in Economic Context

Research Question	List of Documents (Government)
How were the economic features of social enterprise reflected in UK's economic policy during the period spanning 2006-2016?	Social Enterprise Action Plan: Scaling New Height (2006)
	Government Puts Big Society at Heart of Public Sector Reform, Central Government Efficiency, Social action, Social Enterprise, and Social Investment (2010)
	Business Support for Social Enterprise (2011)
	The Importance of Social Enterprise (2011)
	Last Chance to Submit Bureaucracy-busting Ideas to Civil Society Red Tape Challenge (2012)
	Growing the Social Investment Market: 2013 progress update (2013)
	Growing the Social Investment Market: 2014 progress update (2014)
	Making It Easier for Civil Society to Work with the State: Progress Update (2014)
	The Future of the UK Social Investment Market (2016)

Selected sources were analysed using the code generated in the next section. A text search query in NVIVO helped to rearrange the contents of the document according to the coding manual; moreover, the researcher reorganised and categorised the themes following the thematic analysis procedure.

#### DEVELOPING THE CODES TO DEVELOP POLICY THEMES IN THE ECONOMIC CONTEXT

The codes came from the policy direction based on the initial coding framework (see Chapter 4). Especially, the specific ten-year period of time saw one economic crisis, and thus I examined policy documents focusing on the governmental response to this crisis by applying the social enterprise concept.

When discussing public interest in the social enterprise sector, it is useful to look at the Cabinet Office's report (2011). According to the report, 41% and 56% of the population gave £10.6bn to charity in 2009/10 respectively, during the crisis (Cabinet Office, 2011c, p. 9). It can thus be said that the volume of the voluntary sector had expanded, and charitable giving had decreased compared to previous years (Cabinet Office, 2011c). This occurrence

was attributed to the economic recession, and supposed that fundraising would be a particular challenge during the crisis (p. 15).

In this context, social enterprise policy focuses on strengthening the local economy to improve the overall economy. The report 'Local Growth: Realising Every Area's Potential' (2010) effectively described the government policy for enhancing the local economy. In this report, the key strategy was working together with community-based enterprises:

*The Government cannot itself create private sector growth, but it can create the conditions for this to happen. It sets out plans to replace Regional Development Agencies with Local Enterprise Partnerships (LEPs) based on functional economic areas. (Nairne, et al., 2011, p. 9)*

Alongside enhancing the local economy, which was recognised as the key strategy of government economic policy, the key role of local government was referred to as ensuring a close relationship with local CSOs (Cabinet Office, 2011c).

To cope with the economic downturn, the government also focused on designing a simple and efficient fundraising process to establish better conditions for the business environment (Cabinet Office, 2011c, p. 15). Vince Cable (2011) stated:

*I wanted to raise the questions: What is Government doing? What should we be doing? What do you want us to do? There are several areas where we are already doing things - firstly, finance. Enterprise, social or otherwise, cannot function without finance. We know there has been a major banking crisis and it has affected flows of capital, especially to SMEs, and social enterprises have been caught up in that liquidity problem too (BIS & Cable, 2011a)*

More specifically, the UK Government presents several economic policies to support social enterprise through fundraising programmes, e.g. social funding, social impact, social investment and social audit. The economic policy for social enterprises refers not only to how the government stimulates the economy, but is also designed to offer business support and enhance the local economy.

Social enterprises in the UK have been growing in number and importance to the economy (Allinson, et al., 2011, p. 9). This indicates that social enterprises are a good fit with the ethos of the Big Society in terms of being involved in public service delivery, and innovating the economic and business environment (Allinson, et al., 2011). These authors

also stated that a significant number of social enterprises responded positively to economic difficulties because the crisis offered more opportunities for innovation (Allinson, et al., 2011). However, in reality, the business environment was not positive, and the report, therefore, concluded that a strategic policy approach to the social enterprise sector is required (Allinson, et al., 2011).

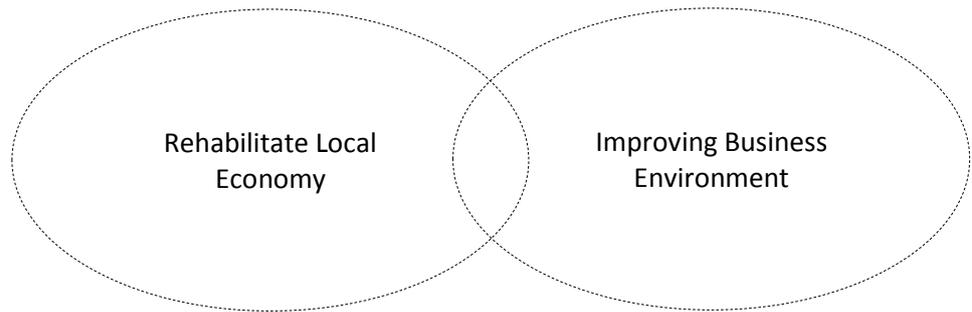
The government strategy for social enterprises is explicit. The Open Public Services Paper (2011) illustrated that the recent policy trend consists of a transformation from bureaucratic public service system to opening the system to various social enterprises in response to different economic contexts flexibly (cited in Allinson, et al., 2011). They suggested that this transformation is a way in which to ensure efficiency, customer-focused and innovative public service (p. 15). Nick Hurd supported this strategy as follows:

*Only by meeting the reality of tough economic conditions and radical public sector reform head-on can civil society fulfil its potential to help create a better, stronger society. The government's focus is to work with the sector in three key areas: better regulation, better support and better skills (Cabinet Office & Hurd, 2012)*

Under the strategy, the government started to change its funding policy. A funding process in which central government departments funded the social enterprise sector directly has now changed to funding the advice sectors in the form of grants or contracts (Cabinet Office, 2012a, p. 8). For example, in 2010, the social enterprise sector (as regards the advice sector), received over £70m in income from legal aid, and under £30m from the department for Business Innovation and Skills (via the Financial Inclusion Fund) (Cabinet Office, 2012a, p. 8).

Examining the governmental response to the economic crisis, we can recognise two main strands of policy. First, the government intended to enhance the local economy through developing social enterprise. Second, the government sought to improve the business environment through a funding system for social enterprises. Rob Wilson summarised:

*Our long-term economic plan is clearly as essential to the voluntary and community sector as it is to the public and private sectors. It is only through economic success, growth and stability that all sectors can thrive. But I am also very aware that whilst the economic plan is the foundation for success, we must also use it to address the challenges that face our communities (Cabinet Office & Wilson, 2015)*

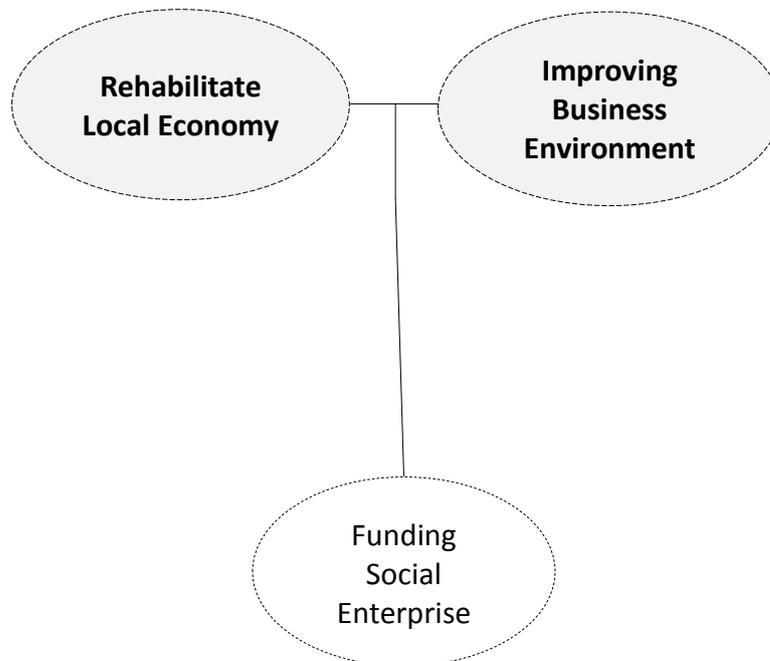


[Figure 6] Social Enterprise Policy Frames to Respond Economic Circumstances

### DEVELOPING THEMES RELATING TO SOCIAL ENTERPRISE POLICY

This part of the chapter is composed of themes derived from developed codes. Based on two codes and their attributes, the following keywords were used for the NVIVO text search query: local economy, funding, and social investment. The purpose was to identify and extract sources relevant to social enterprise support policy for enhancing the local economy and business environment improvement.

From the data, only one theme was identified as a thematic category in order to suggest final sub-themes.



[Figure 7] Codes and Key Theme of Social Enterprise Policy in Economic Context

## Understanding Social Enterprise Funding

The selected category is 'funding social enterprise'. The government enables social enterprises to access appropriate finance and address any failures that exist in the market (Cabinet Office, 2006a, p. 19). Moreover, social enterprises are prone to being rejected by market lenders, and thus they find it difficult to raise equity capital to maintain the organisation (Cabinet Office, 2006a, p. 19). Government economic strategy for social enterprise in this category starts with this point regarding the role of government as a possible solution for fundraising.

*(...) in a tighter public funding environment, consideration needs to be given as to how grant programmes should be targeted for maximum benefits to the public purse. This may mean limiting grant schemes to social enterprises that can demonstrate that investment would be transformational in their development and/or in terms of their wider social and environmental (as well as economic) impacts (Nairne, et al., 2011, p. 35)*

There are several funding agencies which support/fund social enterprises. In English regions, RDAs (Regional Development Agencies) represent the main type of funding agency for social enterprises based on the Single Programme formula (which is a programme designed to support economic activity in deprived regions) (Cabinet Office, 2006a; Nairne, et al., 2011). Defra and DTI fund social enterprises in order to secure the sustainability of social enterprise using studies of successful practice (Cabinet Office, 2006a). In Scotland, the Scottish Social Enterprise Academy supports social enterprises by training them on strategic development and business planning in support of the Futurebuilders Scotland Learning Fund (Cabinet Office, 2006a). Most of these agencies recognise the potential that social enterprise has in terms of delivering a number of key objectives of regional sustainable economic development, including:

*(...) increased productivity through innovation and economic inclusion; maximising the impact of the public pound through public service delivery models that support added economic, social and environmental value; and modelling sustainable economic growth (Cabinet Office, 2006a, p. 66).*

## **Funding Programmes to Support Social Enterprise**

In a time of economic hardship, public funding focuses on how grant programmes lead to maximum benefits (Nairne, et al., 2011, p. 35). This is a key answer to the question of why social enterprises receive public investment, in terms of the social value and impacts (Nairne, et al., 2011).

There have been several kinds of reforms in the UK pre- and post-economic crisis. At the core of the reforms was the Big Society ethos. As we can see by looking at the Leatherhead Community Hospital case in Surrey, the reform primarily pursues efficiency to accomplish policy aims. Francis Maude (2010) illustrated the aims of the reform:

- *a focus on consumer choice;*
- *an intention to generate a positive impact, whether financial or social;*
- *transparency and accountability about how that impact gets delivered.*

Moreover, Rob Wilson declared the basic principles of funding reform as below:

*These are principles I have been embedding in my programme of reform across charities, civil society and social investment. They are core to my vision of a bigger, stronger society here in the UK (Cabinet Office & Wilson, 2016b).*

According to policy data, funding reform has been processed yearly from 2011. During the period, plenty of policies are put forth to improve and inform funding structure (BIS & Cable, 2011b; Cabinet Office & Prime Minister's Office, 2010; Nairne, et al., 2011):

- (1) *'Grants and Voucher Scheme' to lead social enterprises to access business support;*
- (2) *'OCS Social Enterprise Business Support Improvement Programme' to support social enterprises on the front line of the public services and improve business support infrastructure to respond local economic changes;*
- (3) *'Business Coaching for Growth' to ensure the needs of high growth social enterprises;*
- (4) *'Grants, Vouchers and Loans' to sustainably access investment form mainstream sources;*
- (5) *'A Standard Form of Legislation for the Building Societies and the Mutual Insurers' to deal with unincorporated businesses, and make more formal structure for various form of social enterprise sector organisations;*

- (6) *'Regional Growth Fund' to help the provision of finance to various community interest groups;*
- (7) *'Channelling Support through Mainstream Provision' to improve the capacity within publicly-funded business support, increase the take up of business support, and increase the business skills of people running social enterprises;*
- (8) *'Capacitybuilder Social Enterprise Programme' to be enabled specific needs to be identified and meant that Regional Social Enterprise Networks could take an important co-ordinating role.*

First, in 2012, a new strand of the Innovation in Giving Fund was set up as a part of the Giving White Paper; the purpose of this was to explore and generate new operating and funding models for volunteer centres (Cabinet Office & Hurd, 2012). Secondly, the government invested £40 million in the infrastructure that exists to support civil society and started the Protection of Freedoms Act 2012 to scale back unnecessary criminal record checks; helping local charities become more efficient, target their services and build support networks through the Transforming Local Infrastructure Programme; supporting the infrastructure websites Do-It and Funding Central to make it easier for charities to access volunteer databases and funding opportunities; funding nine national infrastructure bodies through the Strategic Partners programme; investing £1.75 million in the Skills Third Sector, a charity that supports the development of the sector workforce; and supporting Business in the Community's Business Connectors programme, which matches charities with business professionals who offer relevant expertise (Cabinet Office & Hurd, 2012).

In 2013, Social Impact Bonds (SIBs) were designed to help reform public service delivery and provide introductory information to help commissioning organisations (Cabinet Office & Hurd, 2012). In addition, regional business support programmes were developed under the name of Social Incubator Fund in the North of England; the aim was to provide finance and business support (HM Government, 2013).

Social investment in 2013-14 was still led by the Big Lottery Fund, which developed several funding programmes in 2014. First, Big Lottery Fund launched the Power to Change programme, which provided financial and technical expertise to support community-led enterprises, thus allowing them to grow and take on social investment (HM Government, 2014a, p. 18). Second, the fund runs the Social Incubator Fund to support early-stage social ventures through match-funding from the private sector (HM Government, 2014a, p. 18). Third, it supports the Big Venture Challenge (BVC) in partnership with UnLtd, ClearlySo, the Social Investment Business and the Shaftesbury Partnership. Apart from this, the Big Lottery

Fund carried out several research projects with the Social Investment Research Council (HM Government, 2014a).

The Department of Health and Social Care Volunteering Fund provides grants and support for voluntary sector organisations to build their capacity and establish volunteer-led service delivery models (HM Government, 2014b, p. 18). Secondly, the Innovation, Excellence and Strategic Development Fund supports VCSEs to motivate them in health and social care (HM Government, 2014b). One notable case is the Department of Health and Social Impact Bond, which gave £2 million to support social enterprise ‘trailblazers’ (e.g. Age UK, Marie Curie Cancer Care). This is seen as a successful case of voluntary sector intervention with public funds (HM Government, 2014b).

In 2016, Social Impact bonds focused on delivering public service reform to ensure the quality of public services following the government cuts (Cabinet Office & Wilson, 2016b). Through the Life Chances Fund, £80 million was invested in social initiatives and transferred to local services (Cabinet Office & Wilson, 2016b). However, the amount of money in the fund is already smaller than the original plan, and is expected to be reduced further (Cabinet Office & Wilson, 2016b).

The overall changes of economic policy (or programmes) from 2011 to 2016 are seen in the table 10 below.

[Table 10] Funding Policy (programmes) from 2011 to 2016

Year	Policy and Programmes	Objectives
2011	Grants and Voucher Scheme	-Lead social enterprises to access business support
	OCS Social Enterprise Business Support Improvement Programme	-Support social enterprises on the front line of the public services -Improve business support infrastructure to respond local economic changes
	Business Coaching for Growth	-Ensure the needs of high growth social enterprises
	Grants, vouchers and loans	-Sustainably access investment form mainstream sources
	A Standard Form of Legislation for the Building Societies and the Mutual Insurers	-Deal with unincorporated businesses -Make more formal structure for various form of social enterprise sector organisations
	Regional Growth Fund	-Help the provision of finance to various community interest groups
	Channelling Support through Mainstream Provision	-Improve the capacity within publicly-funded business support -Increase the take up of business support and skills of people running social enterprises
	Capacitybuilder Social Enterprise Programme	-Enabled specific needs to be identified -Regional Social Enterprise Networks could take an important co-ordinating role
2012	Innovation in Giving Fund	-Explore and generate new operating and funding models
	the Protection of Freedoms Act 2012	-Scale back unnecessary criminal record checks (Transforming Local Infrastructure Programme) -Helping local charities become more efficient -Make it easier for charities to access volunteer databases and funding opportunities -Fund nine national infrastructure bodies (Strategic Partners programme) -Supports the development of the sector workforce -Matches charities with business professionals who offer relevant expertise (Business in the Community's Business Connectors programme)

2013	Social Impact Bonds	-Reform public service delivery -Provide introductory information to help commissioning organisations
	Regional business support programmes (Social Incubator Fund)	-Provide finance and business support
2014	Power to Change programme (Big Lottery Fund)	-Provide financial and technical expertise to support community led enterprises
	Social Incubator Fund programme (Big Lottery Fund)	-Support early-stage social ventures (match-funding from private sector)
	Big Venture Challenge (BVC by Big Lottery Fund)	-Partnership with Social enterprise sector
	Social Care Volunteering Fund (partnership with DH)	-provides grants and supports for voluntary sector organisations
	Innovation, Excellence and Strategic Development Fund	-Lead VCSEs into health and social care
2016	Life Chances Fund	-Support local services

## CONCLUSION

This chapter has reviewed several important policies through which it is possible to analyse the government economic strategy as an important idea for social enterprise policy. With this said, however, the main argument is that said strategy was a combination of both social enterprise's role at the heart of the local economy, and supporting social enterprises to sustain their business. The government economic strategy was seen by many as 'responses to the economic crisis'; indeed, this helps to explain why the funding of social enterprises which operated as part of a rehabilitating local economy following the financial crisis, only appeared after 2011. It also helps to explain how the business environment can be improved for the social enterprise sector. Most importantly, this chapter helped outline how the government supports social enterprises and why this may emerge as an economic strategy during the UK's economic downturn.



## CHAPTER 7

### THE SOCIAL DIMENSIONS OF SOCIAL ENTERPRISE POLICY

#### INTRODUCTION

This chapter presents the results of the research project in terms of the social dimensions. This chapter was undertaken as part of the study of social enterprise policy aimed at analysing policy reactions against the social pressures and social problems. Through the reviews of the policy literatures, this chapter seeks a more detailed understanding of the social enterprise policy as a reaction to social issues.

#### SOCIAL PRESSURES AND POLICY RESPONSES

Social pressures are describe various social elements that come together and have pre-existing histories of their own (Cross, 2009, p. 26). This means that most existing observable activities are the products of the surrounding context, such as the physical environment and societal expectations (Cross, 2009). These factors influence not only individual life, but also policy decisions in the form of faith, belief, and strategy.

From this point of view, it is important to ask, what contexts influenced social enterprises from 2006 to 2016? We can examine these issues from two different angles.

Firstly, many social changes took place during this period: changes of social class along with cultural capital (the ability to appreciate and engage with cultural goods, and credentials institutionalised through educational success), and social capital (contacts and connections which allow people to draw on their social networks) (Savage, et al., 2013, p. 223); racial prejudice (Taylor & Muir, 2014); inequality stemming from elitism, exclusion, prejudice, greed and despair (Dorling, 2011); immigration (Easton, 2013), ageing society and the demographic crisis (Burgoyne, 2016); and social and moral issues for businesses (Zammit-Lucia, 2013). Moreover, various social indicators were produced in this period: mortality rates, educational attainment, housing condition, forms of leisure participation, feminism, inequality (Bennett et al., 2015; Dorling, 2011; Hills, 2010; Savage et al., 2013, p. 220; Wilkinson & Pickett, 2008). In addition, Taylor and Muir (2014) suggested social change indicators: same-sex relationships and sex before marriage, and racial prejudice. According to this view, elitism, exclusion, prejudice, greed and despair must be replaced to return to a

welfare state, and ignorance, want, idleness, squalor and disease must be tackled by the system to escape from inequality (Taylor & Muir, 2014). Environment, health care, food safety, education, and unemployment are also recognised as problems which need to be solved.

Secondly, from the practical perspective, the period spanning 2006-2016 is painted as the era of crisis. Many issues related to the financial crisis have been discussed; indeed, the economic recession and fiscal austerity produced social problems. Amongst the issues and problems revealed in the period spanning 2006-2016, the key subject could be categorised in six main ways, according to the news reports during this period.

(1) 'Unemployment' was frequently discussed. The major causes of unemployment related to the economic downturn. Unemployment causes mental illness as well as children-related problems and social exclusion, such as homelessness. Moreover, social mobility is restricted by unemployment. (2) Inequality tends to dominate social issue discussion. The majority of inequality is related to opportunity; this sometimes boils down to the social divide, health inequality, social disintegration, criminality and poverty. Inequality is also deeply linked to social exclusion and migration problems. (3) Decline of community was seen as another major cause of isolation, individualism, selfishness, consumerism and greed, all of which weaken family ties (family breakdown). This sometimes causes drugs and alcohol addiction, poverty and inequality, and children-related problems. (4) The social care issue was also mentioned, with old people's care being a key concern following the government cuts. (5) Anti-social behaviour has become a serious social problem in terms of weakening social safety. (6) Migration is also a rising issue, and is seen as causing housing, health, and education problems, as well as crime associated with social exclusion and ethnic minorities.

According to Midgley (2009), the term ‘social policy’ refers to government policies and programmes related to people’s welfare and which are aimed at enhancing conditions of social well-being for society. With regards this phrase, social welfare becomes a key element of social policy; social welfare is defined as a condition or state of human well-being which consists of the needs and demands of individuals, families, groups, organisations, neighbours and communities (Midgley, 2009, p. 7). From this perspective, social policy can be described as a tool with which to alleviate the social problems and issues listed above.

The details regarding social policies and legislation between 2006 and 2016 are as listed in Table 11. The majority of policies focused on social housing throughout the period; moreover, there were a number of weighty policy initiatives, such as ‘Public Service Reform’, ‘Welfare Reform’, and ‘Big Society’. In most of the policies, the government intended to reduce spending on social issues, and to introduce new or innovative concepts such as adopting a business model, a new funding system, community empowerment, and municipalism.

[Table 11] List of Key Social Policy from 2006 to 2016

<b>Year</b>	<b>Policy</b>	<b>Content</b>	<b>References</b>
2006	Public service reform	Top down Performance management, Market incentives to increase Efficiency and Quality of Service, Developing capacity	(Cabinet Office, 2006b)
	Abolish child poverty	Out-of-work Benefit; improved employment incentives, in-work benefit and tax credits, tax rates, Cost of living and inflation	(Evans & Scarborough, 2006)
	Protecting vulnerable adults	Mental Capacity Act 2005: abuse issues, Sexual Offences Act 2003: engage in sexual activity, Adult protection policy: protect vulnerable adults at risk of abuse	(SCIE, 2006)
	Charity Act	To provide for the establishment and function of the Charity Commission, to amend other law about charities, to make further provision and funding for charities and similar institution	(Parliament UK, 2006)
2007	Alcohol Control	National Alcohol Strategy: education & communication, improving health and treatment service, combating alcohol-related crime and disorder, working with the alcohol industry	(HM Government, 2007)

	The Social Care Legacy	Market friendly approach: individual, increased funding for NHS, increased local government funding	(Ivory, 2009)
	Welfare Reform Act	Employment , support allowance, housing benefit, council tax benefit, social security, disability, ageing, social fund, etc	(Parliament UK, 2007)
2009	Compulsory Social Care Bill Plan	Forced to pay £20,000 in retirement to help fund the social care system	(Triggle, 2009)
2010	Social Housing Budget Cut	Charge social housing tenants at market rate, release cash for the building programme	(BBC, 2010b)
	Anti-social Behaviour Orders	Civil orders imposed on individual by the courts, engaging individuals in specific kinds of behaviour or going to certain places	(BBC, 2010c)
	Big Society	Culture change, where local authorities or central government for answer to the problems they face but instead feel both free and powerful enough to help themselves and their own community (David Cameron)	(Prince, 2010; BBC, 2010a; Independent, 2010)
2011	Drug Treatment Policy	Treating drug addicts, support for people to choose recovery as an achievable way out of dependence, local (community) recovery system	(BBC, 2011a)
	Child Protection System	Empower front-line social workers to decide best option for children, budget saving, improving social workers' profession, long-term implementation	(Richardson, 2011)
2012	Anti-social behaviour training	Providing training course about methods to defuse conflict	(BBC, 2012a)
2014	Better Care Fund	Bring together social and health care services, funded by DH, budget will be transferred to NHS from April, 2017	(Campbell, 2014a)
	Child Protection Service	Being privatised along with child protection services, outsourcing of children's social services,	(Butler, 2014)
	Dementia tax	Tax charged to older people and their families	(The Guardian, 2014)
2015	Social care service cut	More than £1bn will be cut from social care services for older and disabled people, to make NHS survive, Better Care fund invest extra resources for social care	(Butler, 2015)

	Social rented homes	Managed by councils and housing associations to let registered housing at a below market rent at a level based on local property prices and earnings	(Osborne, 2015)
2016	Pay to pay policy	Ensuring supposedly high earners living in social housing are charged market rents, combine income of £40,000 and above in London, £31,000 in the rest of England are classified as 'high income tenants'	(Butler, 2016)
	Social care funding plans	£900m extra for adult social care services	(McNicoll, 2016)
	Right-to-buy policy	Scheme allowing social housing tenants to buy homes after more than 30 years	(The Guardian, 2016)

## RESEARCH QUESTIONS AND RELEVANT DATA

As a third phase to answer the major question “what are the main themes of social enterprise policy in political, economic and social contexts?”, this chapter addresses another question: “how were the social missions of social enterprise shaped in social policy in the UK during 2006-2016?”. In order to facilitate the answering of this question, the present chapter addresses two sub-questions, which are found below:

- i. In what ways has social policy for social enterprise been shaped during the periods?
- ii. What policy has been formulated in social pressures to invigorate social enterprise activity?

Prior to the preliminary analysis, I performed the issue-scanning process through a news search engine; the purpose of this was to identify the majority of social issues and problems to be tackled, and to then establish how policy makers tried to link this issue to social enterprise. During the analysis process, the research focused on describing the ‘statement’, ‘strategy’, ‘policy assumption’ and ‘policy outcome’, which were revealed to be a form of legislation or particular policy.

The initial document selection process was performed within a pre-organised NVIVO dataset through word, alongside a code query function with the terms ‘social\_enterprise’ AND ‘inequality’, ‘environment’, ‘health\_care’, ‘education’, ‘employment’, ‘community’, ‘social\_issue’, and ‘migration’. A further manual selection process was performed to screen

key documents describing the social aspects of social enterprise in policy settings under the criteria questions found below:

- How many keywords are included in the sourced documents?
- Does the document contain any specific policy case study related to the policy agenda addressing social issues through social enterprise?
- Does the document suggest an integrated view on social enterprise policy in the social dimension as much as it is organised independent policy category?

The results of the repeated selection process can be found in the table 12 below. I adopted a purposive sampling approach to filter irrelevant information and explore views in depth.

[Table 12] Research Question and Relevant Data Source for SE Policy in Social Dimension

Research Question	Sources	List of Documents
How were the social missions of social enterprise shaped in UK's social policy during the period spanning 2006-2016?	Governmental archive	Social Enterprise Action Plan: Scaling New Height (2006)
		Social Enterprise – Making a Difference: A guide to the 'right to request' (2008)
		Working in a Consortium: A guide for third sector organisations involved in public service delivery (2008)
		The Compact: The Coalition Government and civil society organisations working effectively in partnership for the benefit of communities and citizens in England (2010)
		Modernising Commissioning: Increasing the role of charities, social enterprises, mutuals and cooperatives in public service delivery (2010)
		Business Support for Social Enterprises: Findings from a Longitudinal Study (2011)
		Red Tape Task Force calls for clearer legal protection for volunteers (2011)
		Speech detailing the importance of transport, transport infrastructure, budget saving measures and Local Enterprise Partnerships(2011)
		Nick Hurd's letter to the sector setting out framework for work of the Office for Civil Society (2011)
		Unshackling Good Neighbours-One Year On (2011)
		Unshackling Good Neighbours - Report on how to cut red tape for small charities, voluntary organisations and social enterprises (2011)
		Children, Young People and Families VCSE Strategic Partner (2012)

		Making It Easier to Set Up and Run a Charity, Social Enterprise or Voluntary Organisation: Progress Update, (2012)
		Not-for-Profit Advice Services in England(2012)
		Trusted and Independent: Giving charity back to charities (Review of the Charities Act 2006),(2012)
		Government Responses to: The Public Administration Select Committee’s Third Report of 2013-14: The role of the Charity Commission and “public benefit”: Post-legislative scrutiny of the Charities Act 2006 & Lord Hodgson’s statutory review of the Charities (2013)
		Making It Easier for Civil Society to Work with the State: Progress Update (2014)
		Leading the World in Social Enterprise (2015)
		2010 to 2015 government policy: social enterprise (2015)
		The future of the UK social investment market: Rob Wilson speech (2016)
	Social Enterprise Sector	Investor Perspectives on Social Enterprise Financing (2011)
	Social Enterprise Sector	Social Enterprise: Protecting the planet, Creating a fairer world(2011)
	Social Enterprise Sector	Social Franchising: A Guide for Franchisees, (2011)
	Social Enterprise Sector	Start Your Social Enterprise (2012)
	Social Enterprise Sector	The Shadow State: A report about outsourcing of public services,(2012)
	Social Enterprise Sector	Business Rates, Economic and Social Value: A resource for Local Authorities (2013)
	Social Enterprise Sector	OUT OF THE SHADOWS?: The fall and rise of social value in public services: a progress report (2013)
	Social Enterprise Sector	The People’s Business (2013)
	Social Enterprise Sector	Building inclusive and resilient social economies:A report on 3 years of the Social Enterprise Places programme (2016)

Selected sources were analysed using the codes generated in the next section. The text search query in NVIVO helps to rearrange the contents of a document according to the coding manual; the researcher reorganises and categorises themes following the thematic analysis procedure.

## DEVELOPING A CODING FRAMEWORK FOR EXAMINING SOCIAL ISSUES RELATED TO SOCIAL ENTERPRISE

After comparing Table 5 and Table 11, brief codes of social enterprise policy can be set up: public service reform and community empowerment. The most significant explanatory

variable for growth of social enterprise policy is public-private partnership under the Big Society. In both concepts (public service reform and community empowerment), partnership is seen as a key constituent and works under the Big Society policy, even though there is a subtle difference in terms of scope and contents of the partnership between the two. Regarding the utility of partnership, this is well described in an OECD report:

*Well-designed public-private partnerships can help enhance the resilience of investments in R&D over the business cycle. One way of achieving this could be through adjusting the balance of public and private funding over the business cycle. Such partnerships can also be used at the local or regional level, e.g. in innovative clusters, to ensuring that government funds reach new and small players, thus reducing the risk of capture by “strong players” (OECD, 2009).*

In addition, community empowerment is another key theme relating to social issues and problems under the Big Society category. Francis Maude stated that:

*The best ideas come from the ground up - from charities, from volunteers, from local communities. People who live and breathe local services - the ones running hospitals, caring for the elderly and educating children (Cabinet Office & Maude, 2013).*

The government recognised the inefficiency of the bureaucratic systems of public service delivered by the central government, and started to motivate potential latent in the community. With regards this concept of transformation, the role of the government is to support economic regeneration from the ground up, designing and supporting the community to provide better public services, and leading community movements towards increased transparency, accountability and responsiveness (Department for Transport & Hammond, 2011). To support this concept of reform, Phillip Hammond stated:

*So it is time for reform. And for the coalition, that preferred reform is localism. (Department for Transport & Hammond, 2011)*

In this second part of the chapter, I develop a conceptual lens through which to analyse social enterprise policy in the social context. This part of the chapter consists of a brief explanation and evidence from the data to support the reliability of conceptual frameworks.

Policy makers from 2006 to 2016 defined social issues as 'complex problems'. The government did not have the capacity (in terms of budget and resources) to address these complex social issues and moved toward sharing its authority with the private and third sector under the name of public service reform. Francis Maude described this context:

*Look at issues like homelessness, reoffending or long-term unemployment – these complex problems aren't new, but the solutions have eluded successive governments for decades. Government doesn't have all the answers, and social ventures are often better able to tailor services around the needs of communities and individuals; they can be more responsive and agile and can help find the kind of lasting and comprehensive solutions that are necessary (Cabinet Office & The Rt Hon Lord Maude of Horsham , 2015)*

The government after New Labour suggested a new concept, Big Society, as stated below:

*At the heart of the Coalition Government's vision of the Big Society is the drive to give people more power and control over their lives and their communities, to reform public services and to champion social action over state control and top-down Government-set targets. The role of the Government is to enable this cultural change by shifting power away from the centre, increasing transparency and building capability. It believes that strong and independent CSOs (Civil Society Organisations) are central to this vision through their role in encouraging social action and campaigning for social change, through playing a bigger part in designing and delivering public services and through driving community empowerment. (Office for Civil Society, 2010, p. 6)*

Besides this, the government emphasised the optimisation of business firms which contained resources for addressing public matters. Rob Wilson stated:

*It is estimated that there are as many as 195,000 of these businesses in the UK, employing 1.6 million people. In 2012 these businesses were estimated to turn over £120 billion a year. They are adopting new solutions to longstanding social issues like aged care, dementia and unemployment (...) Mission-led businesses use their business models to achieve both social and economic impact. These businesses have a clear mission to address critical social problems, but do not register this mission in legal terms such as becoming a charity or a community-interest company (Cabinet Office & Wilson, 2016a).*

Through this strategy of partnership, it seems that the government was pursuing an efficient public service delivery system and attempting to secure the wellbeing of the people. The government was becoming more like a funding institution, and the responsibility of front-line service providers was moving to the private firms or CSOs. To mobilise service providing organisations and spread policy, the government used the term “trust” borrowing from the concept of social economy.

The Big Society agenda appeared to emphasise local communities as a key element of the public service delivery system and recognised it as a solution which can stimulate voluntary social action in society. Lord Taylor of Holbeach stated:

*The big society is about putting more power into people’s hands—a massive transfer from Whitehall to local communities. What we have announced in the spending review will help communities and individuals to take on more responsibility through community empowerment, through opening up opportunities to deliver public services to other organisations, and through social action such as the national citizen service, enabling young people to play a more active role in society.*

Moreover, Nick Hurd (Minister for Civil Society) stated that the participation of various public service providers, such as charities, social enterprises, and voluntary organisations is recognised as important, while partnership between these organisations is a key component when it comes to accomplishing this concept of using the community.

*‘The Building a Stronger Civil Society’ strategy gives a clear plan for government support to charities, voluntary groups and social enterprises as they adjust to a new relationship with the state. It’s important that we hear from the front line about the kind of support that will really help them (...) (Cabinet Office & Hurd, 2010)*

With these sources of discussion, codes of analysis for social enterprise policy in the social context can be drawn as two key labels, as illustrated in Table 13. The two codes indicate different policy trends. However, the details of the individual programmes are closely intertwined with each other. This chapter will explore the specific policy concepts, strategies, and implementations related to these two categories in three major themes: partnership, trust and social outsourcing.

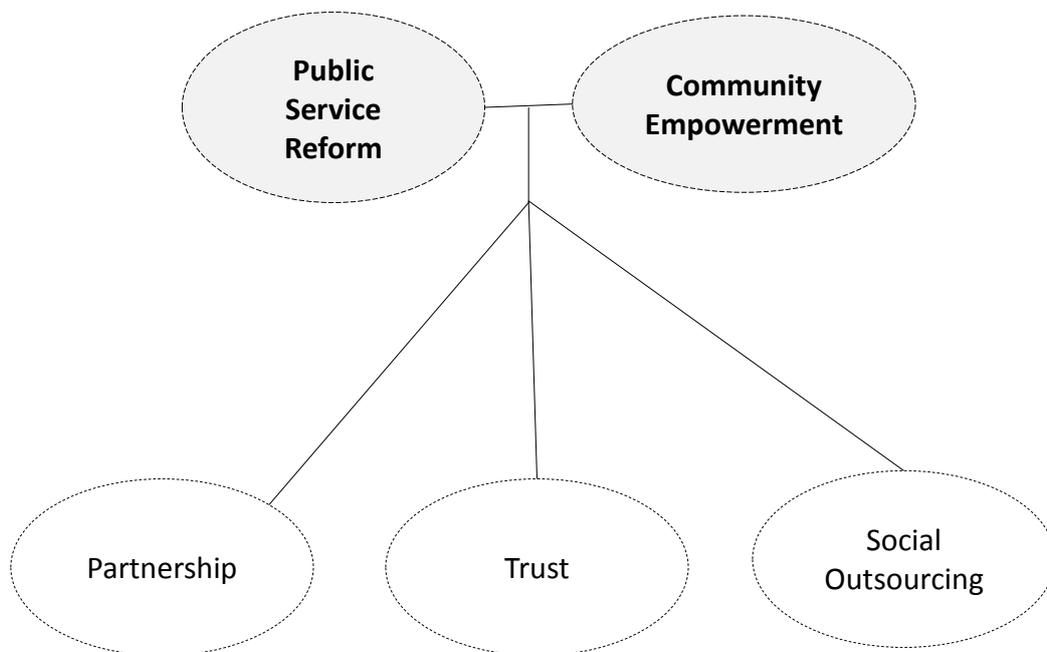
[Table 13] Identifying Initial Themes of Social Enterprise Policy in Social Context

<b>Code 1</b>	
Label	Public Service Reform
Definition	Collaborative purchasing which sees public agencies working together to buy goods and services in order to ensure efficient public service delivery, sustainable policy implementation and budget saving
Description	To address complicate social issues and problems, the policy chooses a way to share government authority with private and third sector. Through the partnership, the government pursuits budget saving, efficient public service delivery, and ensuring wellbeing for the people. In the reform, Power shift, the government is committed, transferring power away from central government to local and civil society
<b>Code 2</b>	
Label	Community Empowerment
Definition	A Process where people work together to make change happen in their communities by having more power and influence over what matters to them (The Scottish Government, 2009, p. 8)
Description	To embrace various social problems into the community, and overcome barriers and difficulties that some people face in the community. Especially the role of social enterprises in the community is emphasized because of its community-based feature.

## ANALYSING SOCIAL ENTERPRISE POLICY THEMES IN A SOCIAL CONTEXT

The third part of the chapter consists of developing themes based on collected data and codes. Data were selected by conducting a NVIVO text search query using the keywords “Public\_service\_reform” and “community\_empowerment”; this was followed by a read and re-read process to develop themes.

From the data, three themes were identified in order to explain public service reform and community empowerment simultaneously. The subordinate themes covered issues such as how social enterprise policy is designed and implemented to address social issues, as illustrated in Figure 8.



[Figure 8] Codes and Key Themes of Social Enterprise Policy in Social Context

## Thematic Category 1: Partnership

### Basic Concept of Partnership

In the public service reform agenda, the first theme is ‘partnership’. The main function of public service reform is to build partnerships with other sectors and communities, so as to ensure efficient delivery and provide sufficient public services. In the statement contained in Table 14, we can see that the government referred to social enterprises as a part of policy strategy, and the social enterprise sector was seen by the government as an opportunity to obtain the resources needed to run a business.

[Table 14] Perception of Partnership in both Government and Social Enterprise Sector

Government	<p><i>Government, working in close partnership with the social enterprise sector, has already achieved a great deal in its support for social enterprise. The first government strategy for social enterprise, launched in 2002, proposed ways to create an enabling environment, make social enterprises better businesses, and establish their value. (Cabinet Office, 2006a)</i></p>
	<p><i>As opportunities are opening up for the third sector to play a greater role in shaping and delivering public services, the government is committed to helping to create an environment which is conducive to more partnership working with the public sector. (Cabinet Office, 2008, p. 14)</i></p>
Social Enterprise Sector	<p><i>Public sector spending needs to be as effective as possible and proper implementation of the Social Value Act should support this: local and national government need to step up and grasp the opportunity the Act gives to transform and reform public services for the better. (SEUK, 2015, p. 61)</i></p>

### Partners

There are several different ways of viewing relations between the government sector and the social enterprise sector. Firstly, the government refers to social enterprise as an effective tool for public service delivery. The government also describes partnership with social enterprises in the ‘Working in a Consortium’ report:

*The Government recognises that to achieve its vision of high-quality public services, there needs to be stronger and more effective commissioning based upon partnerships. Recent policy has placed an emphasis on collaborative purchasing which sees public agencies working together to buy goods and*

*services in order to achieve cost savings and efficiencies. One result of this is that contracts are often becoming larger. (Cabinet Office, 2008, p. 15)*

From this perspective, the reason why social enterprises are an efficient policy tool is explained by the fact that they work on the front-line of social services.

*For the Government (...) Third sector organisations are invariably at the front-line of delivery and they know what works. At their best, third sector organisations bring creativity and innovation to public service delivery, build trust, extend choice and give a voice to the public. (Cabinet Office, 2008, p. 14)*

*SEUK should work with its members and partners, including social investment intermediaries and other support bodies, to gather more regular data from the frontline to identify individual cases and more general geographical or industry areas of concern. (SEUK, 2015, p. 61)*

Secondly, the government pays attention to various income sources of social enterprises. For example:

*The Community Transport Association (CTA) estimates that there are around 700 community transport schemes serving rural areas, and an increasing number of these are enterprise-based, meaning that over half of their income is derived from charges for services and contracts, as opposed to grants and donations. The Department for Transport (DfT) believes that there is considerable potential for community transport schemes to increase their financial stability, and thereby better achieve their social goals, by adopting a stronger enterprise-based focus. DfT has undertaken research (with the CTA and the Plunkett Foundation) into the use of social enterprise to enhance the sustainability of rural transport. The research shows that there is considerable potential for community transport schemes to increase their financial stability by adopting a stronger enterprise-based focus, and has identified best practice models to do this.*

Therefore, as stated by Claire Dove, policy makers who are keen on forging relationships with social enterprises to supplement the lack of government professionals or capacity, recognise that their role in public service reform is to support civil society organisations, including social enterprises.

*Policymakers are looking to social enterprise for new ways of delivering public services; entrepreneurs are putting their skills to work in their communities; consumers are keen to use their spending and saving to make the world a better place; and traditional charities are trading to survive and grow in the face of declining philanthropy (SEUK, 2013c, p. 3).*

*We know how challenging it is to run a civil society organisation. So we want to play our part in making sure that frontline organisations have access to really effective online and offline support that:*

- *provides easy access to valuable information;*
- *makes it easier to access valuable resource, such as volunteers; and*
- *provides network value and local leadership to develop better partnerships with local businesses and public sector agencies (HM Government, 2012, p. 7).*

Thirdly, the public service market is a very promising field in terms of allowing social enterprises to accomplish both social and economic goals simultaneously. Amongst a wide range of social enterprises, some are vulnerable and unable to sustain their business on their own. Public funding and procurement reform policies are essential to some social enterprises, especially those which are small in size or work in particularly vulnerable fields (e.g. social and health care).

*Smaller social enterprises are finding it more difficult to secure work in the public sector than their larger counterparts – the reasons for this are well known (business development capacity, balance sheet, contract size and structure), but changes to commissioning and procurement remain crucial if we want to see public service markets with genuinely plural provision (SEUK, 2013c, p. 3).*

Besides this, the public market is a sufficient source which allows social enterprises to mobilise their resources:

*The public sector is a hugely important market for social enterprise, and it has a substantive role to play in reform and transformation in the current climate. There are causes for concern, though: public sector trade is most significant for those in the most deprived areas, and there are early signs that these social enterprises are feeling the pressures of austerity. (SEUK, 2015, p. 61)*

Regarding this point on social enterprises, efficient public service delivery may not be the major value for which they exist, whereas the government is enthusiastic in encouraging social enterprise to move into the public sector.

*The aspiration it describes is that SEs will bid to deliver public services and programmes previously run by central and local government. Public sector workers are to be encouraged to set up SEs or mutuals, bringing their previous experience and knowledge to bear in the expectation that, freed from government bureaucracy (local and central), they will be more efficient, customer-focused and innovative. (Allinson, et al., 2011, p. 15)*

### **Policy Themes**

There are several policy strategies which are used to deal with social issues through partnerships between the public and private sector and social enterprises. First, the government intends to foster a culture of social enterprise: building a relationship with the umbrella body of social enterprise to ease commissioning, and designing performance measurement tools to assess social enterprises' outcomes. 'Project Merlin' is a good example to describe a measurement tool for social enterprises' outcomes. The project is a funding project organised by the Big Society Bank, and is associated with four large retail banks. The project has invested £200m in the Big Society Bank, and in turn the bank invests in charitable organisations within the range of risk assessment (ClearlySo, 2011, p. 45).

The Office for Civil Society's Strategic Partners Programme is another representative example; this programme funds nine civil society sector partners (HM Government, 2012, p. 9). The partners, who will collectively receive around £8.2 million over the four year programme, are: ACEVO in partnership with Euclid Network and New Philanthropy Capital (NPC); NCVO; The National Association for Voluntary and Community Action (NAVCA); Locality; The Community Foundation Network (CFN) in partnership with the Association of Charitable Foundations (ACF); The Institute of Fundraising; The Social Entrepreneurship Partnership (the School for Social Entrepreneurs in partnership with UnLtd, CAN, Plunkett Foundation and Social Firms UK); Social Enterprise UK in partnership with Co-operatives UK; and Volunteering England (HM Government, 2012, p. 9). The funding helps these partners deliver the services they offer to front-line organisations, and to represent the sector during dealings with the Government (HM Government, 2012, p. 9):

*The Cabinet Office (Office of the Third Sector) will use the developing evidence base to raise awareness and understanding of social enterprise among a range of audiences, working in partnership with the Social Enterprise Coalition and others in the sector. (Cabinet Office, 2006a)*

*Engagement with the sector by policy makers and commissioners is vital if we are to see greater VCSE participation in public services. Clear and open channels of dialogue allow expertise on both sides to be shared and ensure that reforms are designed with the needs of the sector in mind. (HM Government, 2014, p. 20)*

The government intends to expand the partnership with social enterprise to more fields of public services. Particularly, the government is creating social enterprise involving formal or informal consortia with PCTs, NHS, local authorities, housing associations, private business, other social enterprises and third sector organisations to address issues in a more joined up way (NHS, 2008, p. 13). For example, the Department for Education (DfE) forms consortium or partnership bids to ensure transparency and participation from non-profit sectors to address children, young people and family support issues with the department (Department for Education, 2012). The consortium consists of voluntary, community or social enterprises through profit base bidding; moreover, a member of the consortium is granted from the DfE, and that member can subcontract to third-party organisations (Department for Education, 2012).

*At the level of the firm, tools for quantifying and using information on social impact have been developed, enabling individual social enterprises to develop a much better understanding of how they are able to deliver their social or environmental mission. For example, the Government supported the Social Enterprise Partnership in producing Proving and Improving: a quality and impact toolkit for social enterprise. Many social enterprises are now using these tools to prove their value and improve their own marketing. (Cabinet Office, 2006a)*

*Developing the third sector's overall capacity through building the asset base of the sector, expanding the range of service provision eligible for the Future builders Fund and developing increased partnership working to design and deliver services where the Government believes the third sector has the greatest potential to contribute. (Cabinet Office, 2008, p. 15)*

Second, the government is designing policy to enable social enterprises to work with government. In order to share public service delivery with as many social enterprises as possible, the government is divulging most public sector information, including care field and community matter, to social enterprises. The aim of this is to transform the public service delivery model from a bureaucratic to a business one, and to make it easy for public contracts to be formed with social enterprises and for them to work together.

*Social enterprises operate across all sectors of the economy. Many operate in markets where the public sector is the main commissioner of services, such as health and social care, community transport or waste management. For them, it is important that government is an effective partner, with those commissioning public services aware of social enterprises as potential suppliers, and that blockages to best practice delivery are tackled effectively. For others, operating in commercial or consumer markets, but nevertheless generating substantial public benefits through the people they employ or the services they offer, it is important that policy makers are aware of the role that they can play. (Cabinet Office, 2006a)*

One notable example for this policy aim is the Contract Finder described below:

*Setting out openings clearly: providers depend on easy access to procurement, which is why we will publish almost all opportunities on Contracts Finder, the central procurement hub. New transparency pledges in the Open Government Partnership National Action Plan and our efforts to build the National Information Infrastructure will also help social ventures to innovate and identify opportunities to deliver services more efficiently. (Cabinet Office, 2010, p. 7)*

More specifically, through the Centre for Social Action, the government is improving public service outcomes and delivering better public services by improving commissioning processes, building the capacity of the social enterprise sector, and supporting volunteering activities (HM Government, 2014, p. 9).

*The objective of the public services action plan is to ensure that government and the sector can work together in equal partnership to improve services. It will identify the areas of opportunity for the sector, and include action to improve commissioning and contracting practice, building on the social exclusion action plan and the Local Government White Paper (Cabinet Office, 2006a, p. 52).*

In some areas, where partnership is particularly needed, the government designs partnership plans as a part of policy, such as Safer Future communities (described below):

*In several areas of public policy, the Government has begun to consider how social enterprises can work in partnership to achieve social and economic objectives. In many cases this involves research into the contribution different social enterprise models can make in different circumstances (Cabinet Office, 2006a, p. 4).*

*Providing tailored support for specific reforms: we have supported VCSEs with the transition to Police and Crime Commissioners through Safer Future Communities, and are helping the sector to engage with Clinical Commissioning Groups through Building Health Partnerships. A bespoke Action Plan has shaped how we will ready civil society for Transforming Rehabilitation (Cabinet Office, 2010, p. 17).*

Third, social enterprise policy restructures the social enterprise sector by designing various supporting programmes to make the social enterprise sector sustainable. Partnership with central government to provide business information is initiated, and the government establishes social enterprise support agencies:

*Policymakers, support organisations and financiers alike need to take stock of the changing make-up of the social enterprise sector. It is one with an ever-growing proportion of younger organisations, who have finance, skills and support requirements to help them sustain, grow and expand their work:*

- *Central government, particularly the Department for Business, Innovation and Skills, includes and provides access for social enterprises in all mainstream business support programmes to cater to the growing population. The same must apply to Local Enterprise Partnership initiatives;*
- *Specialist social enterprise support agencies should focus their interventions on approaches that cater to these much larger numbers (eg. networks, online, peer-to-peer) and on the skill and support requirements of younger organisations becoming more established and mature (SEUK, 2015, p. 60).*

[Table 15] Social Enterprise Policy Themes for Improving Partnership

Policy Theme	Detailed Policy Content	Case
Foster a culture of social enterprise	Building a relationship with social enterprise umbrella body and community based organisations	Social enterprise Coalition and, VCSE partnership, ACEVO, NCVO, NAVCA, CFN, ACF, Project Merlin
	Designing a social enterprise measurement tool	
	Expand partnership with social enterprises	Involving social enterprises in consortia with PCTs, NHS, Local authorities, housing association, private businesses, other social enterprises and third sector organisations
Enable social enterprise to work with government	Allow social enterprises various access to public services	Improving public service outcomes by Centre for social Action
	Make a contract with social enterprises	Contract Finder
	Design a partnership plan	Safer Future Communities
Restructuring social enterprise sector	Financial support system design	Easy access to business information
	Sustainable support system building	Establishing Social enterprise support agency

### The Compact

The Compact is a policy brand which facilitates partnership between the government, civil society organisation and community (Office for Civil Society, 2010). The programme was designed to support the Big Society policy package, and more specifically to encourage citizens' participation so as to achieve better public service delivery and empower communities and the commitment of sectors (Office for Civil Society, 2010). The Deputy Prime Minister Nick Clegg illustrated this by stating that:

*A flourishing civil society is fundamental to achieving the Power Shift the Coalition Government is committed to, transferring power away from central government to local communities. This Compact is a vital part of achieving that goal, laying the foundation for productive working partnerships between the Government and civil society organisations. The sector's diversity and independence together with*

*its reforming, compassionate ethos, are essential in building better outcomes for citizens and communities. (Office for Civil Society, 2010)*

For a successful policy implementation, the Compact policy focuses on outcomes and practical commitment with other sectors. The Office for Civil Society (2010, p. 6) introduced the goals of this policy:

1. A strong, diverse and independent civil society;
2. Effective and transparent design and development of policies, programmes and public services;
3. Responsive and high-quality programmes and services;
4. Clear arrangements for managing changes to programmes and services;
5. An equal and fair society

As with ordinary partnerships (previously discussed), the major form of this policy is a consortium linked by contracts between non-governmental organisations and local or national public sector bodies. For example, ACEVO (Association of Chief Executives of Voluntary Organisations) supports the members of the consortium of public service providers in Sheffield with Social Investment Business and Voluntary Action (Cabinet Office, 2011d). Moreover, Jobcentre Plus (JCP) has worked with local Volunteering Centres and various local voluntary sector partners to provide job and volunteering opportunities to job seekers (Cabinet Office, 2012c). In the consortium, the government provides information, training, support and advice to other sectors, as well as voluntary sector support for the government under the Compact provision (GOV.UK, 2015).

*Engagement with the sector by policy makers and commissioners is vital if we are to see greater VCSE participation in public services. Clear and open channels of dialogue allow expertise on both sides to be shared and ensure that reforms are designed with the needs of the sector in mind. This principle is underpinned by the Compact, a long-standing agreement that lays the foundation for effective partnership working between government and civil society. The Compact was renewed in 2010, making it more streamlined and focused than its predecessor. Cabinet Office oversees its implementation and has ensured greater accountability, by including it as one of six cross-cutting priorities in all departmental business plans since 2012. Government also invited the National*

*Audit Office to independently review its implementation and provide recommendations. Compact Leads within each department support the embedding of Compact principles into relevant programmes and policies, and enable best practice sharing between departments. (HM Government, 2014, p. 20)*

## **Thematic Category 2: Trust**

### **Basic concept of trust**

Trust is used primarily for the concept of social capital. According to Putnam (2000), trust is the key factor of reciprocity, and has become a prominent foundation of network between the organisations and individuals. This concept was adopted in social enterprise policy in the period spanning 2006-2016 to address social problems. In particular, the government recognised that social enterprises were organisations capable of delivering public services with a high level of engagement with users and a capacity to build trust. Julie Harris, the chief executive of COSMIC, stated:

*Being a social enterprise is like gold in the bank in credibility and marketing terms. The public trusts you and it has tremendous power to attract new business, particularly the growing number of businesses with a social conscience. It is a priceless, unique selling point" (Cabinet Office, 2006a, p. 29).*

From 2006 to 2016, the Social Enterprise Coalition (the national umbrella body), as well as individual bodies such as development trusts, community enterprises, housing associations, football supporters' trusts, social firms, leisure trusts and co-operatives were involved in the public service delivery. However, third sector organisations bring creativity and innovation to public service delivery (Cabinet Office, 2006a, p. 10).

With this said, there are different viewpoints on building trust between the social enterprise sector and the government. The social enterprise sector refers to trust as a cultural and personal relationship characterised by openness, transparency, clarity and candour (SEUK, 2011c, p. 8); in contrast, the government refers to trust as an institutional mechanism. The policy approach to the concept of trust of social enterprise is concentrated on enacting law, as well as reform and fundraising for the charity sector through the Charity Act 2006.

## Policy Context (Regulation)

As Nick Hurd stated, the United Kingdom faced serious economic and social challenges during the period spanning 2006-2016, and there was a need to raise trust levels so as to encourage community and individuals to support social issues (Cabinet Office, 2011a). From this perspective, third-sector organisations are defined as:

*Not-for-profit organisations have provided a trusted and valued source of independent advice for people throughout England for many years. They are a vital part of our national support infrastructure and somewhere to turn to in times of crisis (Cabinet Office, 2012a, p. 3).*

To enhance the trust and confidence, the Coalition Government set up policy objectives, as seen below (Cabinet Office, 2011c, p. 39):

- *Having demonstrated that satisfactory outcomes cannot be achieved by alternative, self-regulatory, or nonregulatory approaches;*
- *Where analysis of the costs and benefits demonstrates that the regulatory approach is superior by a clear margin to alternative, self-regulatory or non-regulatory approaches;*
- *Where the regulation and the enforcement framework can be implemented in a fashion which is demonstrably proportionate; accountable; consistent; transparent and targeted.*

As we can see, the concept of ‘trust’ is used not only for encouraging organisations’ participation, but also ensuring the trust of the charity sector itself. One prominent case is the Calderdale Metropolitan Borough Council. The Council responded to the central government’s budget cut with the Compact policy. The Council started to invite voluntary and community organisations, as well as bodies institutionally tied to the organisations. The case has been referred to as a successful case of both partnership building and efficient service delivery by building trust (Cabinet Office, 2011c).

Moreover, given the importance of third sector involvement, deregulation issues – related to ensuring the diversity, variety and contribution of the charitable and voluntary sector – are on the rise (Cabinet Office, 2011b). Lord Hodgson stated:

*The variety, diversity and contribution of the charitable and voluntary sector is one of the glories of our country and the Task Force has set out to find ways to assist its continued growth and development. But over recent years we've seen a real devaluation of common sense and trust through a tangle of rules and guidance which aims to eliminate risk from our lives but instead creates a risk of a society where people are afraid to help each other. As long as volunteers behave reasonably they should not be liable if something goes wrong – the legal framework must make this clear. (Cabinet Office, 2011b)*

Policy issues related to trust are found in statutory instrument concerns over Charities, such as enacting the Charity Act 2006, establishing the Charity Commission, Charity reform, and Steering Group policy.

### **Policy Themes**

#### **- Enacting Charity Act 2006**

The UK government sees some regulations and legal structures as barriers preventing the extension of the level of trust (Cabinet Office, 2011c). This means that enacting a law is more common in the UK in comparison to solving social problems in individual or community interaction under the concept of 'trust'. On the other hand, the government started to enact the 2006 Charity Law to enhance public trust in charities' activity. The aim of this enactment is:

*We trust that the Government will accept our recommendations, which have been made with the objective of increasing public trust in charities, while reflecting this changed economic and political climate. (Cabinet Office, 2013, p. 20)*

Charities are recognised as organisations which operate more effectively when maintaining public trust and confidence (The Stationery Office, 2012, p. 12). YouGov data indicate that the charity sector is the second most trusted group among the people, and the trust level has increased from 2003 to 2010. On the basis of Ipsos Mori's survey, the trust score of the charity sector is 6.45 out of 10 (complete trust), while 35% of recipients responded with between 8 and 10 in 2012 (The Stationery Office, 2012, p. 15). This score has gradually risen from 2008, and the report viewed this as a different level compared to the pre-2006 survey. The report could not find any direct correlation between the trust

levels and the enactment of the Charity Act 2006, although it was concluded that the Act is presumed to be positive for the charity sector in terms of maintaining trust.

After the Charity Act 2006, the government intended to reform the charity fundraising system to build a platform of public trust and confidence and to resolve fundraising scandals behind the charity sector (Cabinet Office & Wilson, 2016c). Rob Wilson introduced this endeavour:

*I have ensured fundraising self-regulation is remodelled (...) This will provide confidence that fundraising scandals are now firmly behind the charity sector. It provides a platform of public trust and confidence that the sector needs for a generous public to continue to donate to the causes that matter most to them (Cabinet Office & Wilson, 2016c).*

To make charities look more like charities, the government firstly reduced its tax; this was one policy strategy designed to secure its high level of public trust and confidence (The Stationery Office, 2012, p. 27).

#### - **Charity Commission**

The Charity Commission had five objectives when established (The Stationery Office, 2012, p. 47).

- *To increase public trust and confidence in charities;*
- *To promote awareness and understanding of the operation of the public benefit requirement;*
- *To promote compliance by charity trustees with their legal obligations in exercising control and management of the administration of their charities;*
- *To promote the effective use of charitable resources;*
- *To enhance the accountability of charities to donors, beneficiaries and the general public.*

These objectives intend to maintain trust and confidence in the charity sector and to make the status of charities privileged; this is achieved, firstly, through a reporting and accounting process which shows that the charitable sector adds value and delivers benefits to the public (The Stationery Office, 2012, p. 65).

Secondly, through the Charity Commission, charity activity records are opened to the public (The Stationery Office, 2012). This is a way of increasing public trust and confidence

through basic regulation with fees set on a cost recovery basis (The Stationery Office, 2012, p. 65). For example:

*The advantage of cost recovery is that it can reflect complexity of transactions – there could be a small charge (e.g. £30) where model governing documents and model objects are used (as these require less checking) and a much larger charge where bespoke governing documents and objects are used (e.g. £250), as these may require significant legal input from the Commission. (The Stationery Office, 2012, pp. 74-75).*

Lastly, the Charity Commission promotes the self-regulatory system as a part of its statutory duty to increase public duty and thus increase public trust and confidence in charities' fundraising (Cabinet Office, 2013, p. 9). To alleviate public doubt regarding how donated money is spent, the government agreed to generate self-regulation, which is less bureaucratic than statutory regulation (Cabinet Office, 2013, p. 9).

#### - **Steering Group**

The Steering Group model is the same concept as managing and working in consortiums with various organisations, although it contains features of reciprocity among organisations involved in the project (Cabinet Office, 2008). In addition, a contract relationship between organisations in the consortium and the Lead Contractor is essential (Cabinet Office, 2008). More specifically, signing up to the agreement with the Lead Contractor is a key feature of the Steering Group when it comes to qualifying for the tendering process and complying with the management purposes and objectives of the project (Cabinet Office, 2008, p. 22).

Trust in the Steering Group model is secured in the governance system of the consortium with support from Public Contract Regulation enacted by the public sector (Cabinet Office, 2008, p. 22). This model involves the development of very close working relationships, and requires a considerable level of sharing and therefore trust (Cabinet Office, 2008, p. 23). The consortium gives the participants advantages in terms of managing and working together: (1) allowing for close involvement of all members in the management and operation of the consortium; (2) being a first step in integration, either through merger or other mechanisms, thereby allowing organisations to test their options for the further development of a very close working relationship; (3) allowing for flexibility of response, as decisions can be taken jointly as the contract proceeds (Cabinet Office, 2008, p. 23)

One suggested successful model introduced by Phillip Hammond could be a representative example of a Steering Group: a local commitment to ensure transparency and accountability based on trust and confidence (Department for Transport & Hammond, 2011).

In the 'Trust' Category, three policy themes are captured: enacting the Charity Act 2006, and establishing the Charity Commission as well as the Steering Group policy.

[Table 16] Social Enterprise Policy Themes for Securing Trust

Policy Themes	Detailed Policy Content	Case
<b>Enacting Charity Act 2006</b>	To enhance public trust of charities' activity	-Tax relief -The relax the rule
	To enhanced the power of Charity Commission to regulate charity sector more efficiently	
<b>Establishing Charity Commission</b>	Increase public trust and confidence; promote public benefit; promote the compliance; promote charitable resources; enhance the accountability	-Open reporting and accounting process. -Charity register -Self-regulatory system for fundraising
<b>Steering Group</b>	Allowing close involvement of all members in the consortium	-A local commitment to transparency and accountability
	Becoming a first step for further development of a very close working relationship	
	Allowing flexibility of response as decision proceeds.	

### **Thematic Category 3: Social Outsourcing**

#### **Concept and Issues**

The term 'social outsourcing' is interchangeable with social franchising, and the definition of social outsourcing is described below:

*In its simplest definition, social franchising is simply the application of commercial franchising methods and concepts to achieve socially beneficial ends. "Social franchising is the use of a commercial franchising approach to replicate and share proven organisational models for greater social impact" (SEUK, 2011c, p. 4)*

In terms of government, social outsourcing denotes a hybrid of the workfare outsourcing and the commercial outsourcing of government activities to the private sector (Heeks & Arun, 2007, p. 1).

With this new system, all three sectors (public, private and social enterprise) can (1) reduce the risk of failure; (2) quickly start up and get support easily; (3) bring credibility, legitimacy and an open door to new networks and investments; (4) make it possible to access joint purchasing, economies of scale, communications, policy work etc.; (5) allow autonomy, independence, and local ownership; (6) be accorded an exclusive territory to operate in; (7) work through genuine partnerships and mutual benefit in the social sector (SEUK, 2011c, p. 4). In addition, as a part of public engagement, social enterprises do not need to risk all of their business in order to obtain the value of economic and social benefits (SEUK, 2012b, p. 39; SEUK, 2012d, p. 20).

On the other hand, social outsourcing has also been subjected to criticism: (1) set-up costs for initial investment and ongoing fees to pay; (2) constraints on the type of franchisee with limited freedom and flexibility; (3) long-term endeavours and relationship-based commitments are difficult to exit (SEUK, 2011c, p. 5). In addition, there are more fundamental issues related to social outsourcing. The social enterprise sector insists that social outsourcing is not affordable in financially-strained times (SEUK, 2012d, p. 53). As the outsourced project is allocated on a competition-basis, small-sized and less competitive social enterprises have been extracted from the social outsourcing market, despite their social value for work (SEUK, 2012d).

The interest in social outsourcing started with the 'power shift' policy direction. Since the government transfers its authority to social enterprises, a significant portion of social enterprises and other civil society organisations receive their income from contracts with statutory bodies and direct government contracts (ClearlySo, 2011, p. 124). This trend is clearly offering investment opportunities to social enterprises, while investors, meanwhile, see it as complicated to invest outsourced public services because of the input-based public service delivery system (ClearlySo, 2011, p. 124). Social outsourcing is becoming a trend in the public service market and the third sector movement. Waste management, children's homes, adult social care, social security, education services, prisons, border control and many other public services are sold by private companies; moreover, the government is about to expand the range of 'power shift' to the NHS, police forces and prisons (SEUK,

2012d, p. 4). The critics of social outsourcing are relevant again here in terms of the lack of public awareness and heavy weighting in favour of the companies (SEUK, 2012d).

In practice, the government seeks to address problems associated with both workfare and commercial outsourcing through the hybrid form of public service suppliers (Heeks & Arun, 2007, p. 2). In the UK, growing numbers of local governments have already outsourced activity, for example: leisure centre management, care services, community transportation (Heeks & Arun, 2007, p. 2). These services are normally run by social enterprises (Heeks & Arun, 2007, p. 2). According to Allinson et al. (2011), social enterprises in public service delivery have the strongest connections with other organisations in the same sector through pre-existing networks (Allinson, et al., 2011, p. 93). Social enterprises sometimes bring their relationships to contracts with local authorities, or build networks with local churches under the form of commercial franchising (Allinson, et al., 2011, p. 93). When the government decides to outsource certain public services to social enterprise, it emphasises the features of social enterprise to make outsourcing efficient.

In terms of the social enterprise sector, social outsourcing is a good source of funding to help business growth and social impact (SEUK, 2011a, p. 10).

### **Policy Themes**

In the social outsourcing category, two policy themes were found in the dataset. The Shadow state is a critical perspective on social outsourcing from the social enterprise sector; moreover, community resources utilisation is a positive case published by the government.

#### **- The Shadow State**

“The Shadow State” is a report published by SEUK in 2012. The basic concept of this report is a critical review of social outsourcing policy based on a statement from Jon Trickett:

*The Shadow State report highlights how services can sometimes suffer and money can be wasted as a result of solely profit-driven motives. There needs to be a detailed debate about the future of our public services in this climate of outsourcing. I welcome the contribution to this debate by Social Enterprise UK. (SEUK, 2012, p. 10).*

The phenomenon of public services outsourced by the government and delivered to the public by the private and third sectors is called ‘the Shadow State’, regardless of whether or

not it is successful. The report illustrates that the Shadow State is fast growing (SEUK, 2012d). However, the evaluation of the social enterprise sector is mostly negative. Sophia Looney, a Director of Policy, Equalities and Performance for Lambeth Council stated that:

*A lot of our services have been outsourced, in a standard, cheapest-available provider way. What we're trying to do now is move towards an organisational structure which supports community commissioning; where citizens are involved throughout; where the method of delivery is as important as the thing that's being delivered; where the social value becomes as important to us as a judgment about the cash (SEUK, 2012, p. 26).*

There are three major themes discussed in the Shadow State with regard to social enterprise policy in the social context.

The first of these is children and adult care outsourcing. In the UK in 2013, the drive to cut costs and maximise profit incentivised businesses to act in ways that were inconsistent with government policy in the children and adult care field (SEUK, 2012d, p. 6). Around 65% of children's residential homes and two-thirds of adult care services are provided by the private sector (SEUK, 2013b; SEUK, 2012d). However, a third of private service providers do not meet the government's minimum quality standards, and adult care workers are paid less than in the public or voluntary sector (SEUK, 2013).

Private prisons started running in the 1990s for two reasons: to reduce costs by means of innovation and efficiency; and to improve the culture among the staff while also making prisons more rehabilitative and respectful (SEUK, 2012d, p. 40). In 2012, 12 prisons in the UK were run by the private sector (SEUK, 2012d). However, among private prisons, most are assessed as poor in relation to inmate behaviour, with high levels of drug use (SEUK, 2012d). In terms of staff payment, private prisons offer significantly less than public prisons (SEUK, 2012d). Moreover, only three private firms dominate the market, and the problem of monopoly and oligopoly occurs (SEUK, 2013). Therefore, the government's policy provision is delayed or is not delivered to the recipients, and thus criticisms have been levelled.

Amongst Welfare to work services, Atos' work has been deemed unacceptably poor and the Work Programme has continued to receive considerable criticism as it is failing to support those farthest from the labour market (SEUK, 2013). This programme is made up of 'prime' contractors who have a direct relationship with the government and 'sub' contractors (SEUK, 2012d, p. 15). During the early stage of this programme, social

enterprises and charities seem to have privilege in the market; large shareholder-profit distributing companies dominate their position during the final stage because of social outsourcing provision (SEUK, 2012d).

- **Utilising Community Resources**

On the other hand, there are two positive policy cases of social outsourcing. First, the Cresco Trust successfully accomplished its public goal (community regeneration, promoting labour) with local social enterprises (SEUK, 2011c). Based on the local network of social enterprises and additional funding from local councils, the project builds successful community business models to provide training and support for unemployed young people (SEUK, 2011c).

Secondly, in Gwynedd of Wales, the employment challenge project finished successfully due to its partnership with community social enterprises (SEUK, 2016). Social enterprises provide services regarding employment, health and care and isolated people; moreover, the local council is steering the policy through its ‘Social Enterprise Liaison Manager’, who facilitates collaboration with the local social enterprises, and looks for potential outsourcing opportunities at local social enterprises (SEUK, 2016, pp. 19-20). This programme remains community action, and is led by committed individuals, bolstered by public sector resources, support and interest (SEUK, 2016, pp. 19-20).

[Table 17] Social Enterprise Policy Themes for Social Outsourcing

<b>Policy Theme</b>	<b>Detailed Policy Content</b>	<b>Case</b>
The Shadow State	Children’s Care	Children’s care home
	Adult Social Care	Poor payment social workers
	Prisons	Failure in Northumberland, Moorland, Hatfield and Lindholm
	Welfare to work	DWP Work Programme
Utilizing Community Sources	Community regeneration	Derry and Belfast PartnerShops
	Tackling Employment Challenge	GWYNEDD Case: co-work with local social enterprises

## SUMMARY AND CONCLUSION

This chapter consolidated the results of the research – results which were derived from policy data. Thematic coding based on the social policy issues was utilised to create the main themes of ‘public service reform’ and ‘community empowerment’; in addition to this, three main themes were generated based on the data. The data were analysed and expanded to relate to the main themes, with the results identified in Table 18. The social enterprise policy in the social context of the period spanning 2006–2016 was categorised in three ways, namely “partnership”, “trust” and “social outsourcing”. The main concept of the policy is ensuring a “power shift” from the government to social enterprises.

[Table 18] Main Themes of Social Enterprise Policy in Social Context Emerging from the Data

Key cases & issues identified from Data	Minor themes	Major Themes	Thematic Category
Partnership with umbrella body of social enterprise	Building relationships	Foster a Culture of SEs	Partnership
Financial support programme development	Designing SEs measurement tool		
Expanded partnership range to PCTs, NHS, Local Authorities, Housing association, Private business	Expanding partnership with SEs		
Improving public service outcome	Allowing access for SEs to public service	Enabling SEs to work with Government	
Contract Finder	Make contract with SEs		
Safer Future Community	Design a partnership plan		
Easy access to business information	Financial support system design	Restructuring SEs sector	
Establishing SEs support agency	Sustainable support system building		
Tax relief & Deregulation	Ensuring public trust	Enacting Charity Act 2006	Trust
	Enhancing regulation		

	power for Charity Commission		
Open reporting and accounting process	Public trust and confidence, public benefit increase, promoting compliance and charitable resource and accountability	Establishing Charity Commission	
Charity register			
Self-regulatory system			
Local commitment	Encouraging involvement of consortium	Steering Group	
	Developing close working relationship		
	Allowing flexibility of response		
Children's care home	Children's Care	The Shadow State	Social Outsourcing
Poor payment social workers	Adult Social Care		
Failure in Northumberland, Moorland, Hatfield and Lindholm	Prisons		
DWP Work Programme	Welfare to work		
Derry and Belfast PartnerShops	Community regeneration	Utilizing Community Sources	
GWYNEDD Case: co-work with local SEs	Tacking Employment Challenge		



## CHAPTER 8

### DISCUSSION AND CONCLUSION

#### INTRODUCTION

This Chapter discusses and synthesises findings from the three empirical chapters of this research and explores further implications based on these findings to answer the fundamental questions this research sought to address. The Chapter begins with a brief discussion of some terminological issues of themes before moving toward answering the fundamental research question: “how social enterprise policy has been shaped and functioned during 2006-2010” (see Chapter 4). This Chapter concludes the thesis by synthesising and summarising the main arguments, results and discussions presented in the previous Chapters and will also provide final recommendations regarding the scope and purpose for similar research in social enterprise policy.

#### SUMMARISING TERMINOLOGIES OF THEMES

According to Daly et al (1997), themes mean the important description of the phenomenon, and constitute a form of pattern recognition within the time period where emerging themes become the categories for analysis (Cited in Fereday & Muir-Cochrane, 2006, p. 82). According to Rice & Ezzy (1999), the themes in this research were identified through “careful reading and re-reading of the collected data” (Cited in Fereday & Muir-Cochrane, 2006, p. 82). Those themes are categorised by the form of the terminology which is frequently mentioned in social enterprise studies and policy papers. Some follow the general meaning of the word or phrase, but some reflect modified meanings toward more social enterprise such as ‘trust’.

In the empirical analysis of developing social enterprise policy themes in political context, the key agenda has been recognised in three categories. Although the analysis process did not strictly follow the thematic analysis procedure to outline political discussions, the political categories act as themes in terms of the broad sense of the above definition. In the first category, the terms ‘social economy’ and ‘civil society’ were used for constituents to discuss the conceptual frame of social enterprise. ‘Social economy’ stands for the “universe of practices and forms of mobilising economic resources towards the satisfaction of human

needs that belong neither to for-profit enterprise, nor to the institutions of state in the narrow sense. (...) The social economy is made up of the voluntary, non-profit and co-operative sectors that formally independent of the state” (Moulaert & Ailenei, 2005, p. 2042). The meaning of the term ‘civil society’ has changed over its long history from Aristotle to the present (Kaldor, 2003). Kaldor (2003) suggested the most recent definition of ‘civil society’ as “the realm of culture, ideology and political debate”, which is markedly different from the perception of a type of state characterised by a social contract and Hegel’s definition of the intermediate realm between the family and the state (the individual as a public person and through membership in various institutions is able to reconcile the particular and the universal) (p. 584). For the second category, the terms ‘legislation’ and ‘funding’ consisted of the theme ‘supporting social enterprise’. In the political discussion, although they have essentially followed the broad sense of the word ‘making or enacting laws’ and ‘money given for an event or activity’, those two terms have been used with the specific meanings ‘policy supporting by enacting law to develop social enterprise’ and ‘financial supporting to develop social enterprise’ respectively. In the third category of ‘application of social enterprise’, the discussion subjects ‘Health Care’ and ‘Disability Employment’ appeared and these terms indicated a general meaning.

Regarding the develop themes of social enterprise policy in an economic context, ‘rehabilitating local economy’ and ‘improving business environment’ came up with the key themes. ‘Local economy’ is typically defined as “a bounded spatial form within the web of wider economic activity where local income generation within, and leakage through, this pervious boundary is variable” (Courtney & Errington, 2000, p. 283). This research accepted this general meaning. ‘Business environment’, however, has been specified in narrow boundary within the business activity of social enterprise. ‘Funding Social Enterprise’, which was the only theme to constitute policy subject in economic context, has the same meaning as that in the political context.

In terms of social enterprise polity in the social dimension, ‘partnership’, ‘trust’, and ‘social outsourcing’ were selected as the main policy themes. ‘Partnership’ is a widely used term in various fields. According to the business dictionary, in a ‘partnership’ “two or more individuals or organisations agree to share the associated money, skills and resources and share profit and loss”. In this research the term ‘partnership’ covers partnerships with other organisations only related to social enterprise in either supporting, sharing or structuring

the relationship. The term 'trust' has a unique terminology to describe social capital<sup>2</sup>. The meaning of this term is similar to the normal meaning and definitely connotes such a meaning: belief, faith, entrust, etc. It contains more mutualism and interaction between partners (Siisiainen, 2000). The trust creates partnerships (networks) and is derived from reciprocity and voluntary association (Siisiainen, 2000; Putnam, 2001). Social outsourcing means "the use of a commercial franchising approach to replicate and share proven organisational models for greater social impact" (SEUK, 2011c, p. 4, as described in Chapter 7).

## A BRIEF SUMMARY OF THE RESEARCH

The principal aim of this thesis was to develop policy themes which have been shaped around social enterprise. The starting point was the political declaration in the third term of New Labour: partnership, community concern, the concept of social outsourcing and social investment. This policy agenda has continued during the coalition government and conservative government. This research focused on finding detailed constraints of these policy issues for social enterprise and attempted to categorise them as policy themes. In doing so, it sought to understand how social enterprise was incorporated into the policy agenda and the main arguments, rationales, interests and voices that were supporting its development and incorporation. On the basis of these values and the development of new social relations of support the research interests were:

- To examine social enterprise policy the political, economic and social context in the UK from 2006 and 2016;
- To discuss the key emphasis and components of social enterprise policy
- To extend the understanding of the role of social enterprise in each policy context

Although predominantly a theoretical approach, this thesis has employed empirical investigation. A qualitative approach was adopted which aimed to develop categories of policy themes around social enterprise and three different policy contexts in the review of policy documents and political discussion and the analysis of empirical data comprised by those sources. The conceptual framework was best characterised as social enterprise

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<sup>2</sup> Social capital is defined as "the norms and networks that enable people to act collectively-enjoyed a remarkable rise to prominence across all the social science disciplines" (Woolcock & Narayan, 2000, p. 2)

theories as mentioned in Chapters 2 and 3, although the thesis has also considered with the reflection of the social enterprise theory in policy practice.

The qualitative secondary data analysis helped to develop a deeper understanding of social enterprise policy by collecting various policy documents from a wide range of contexts and sectors. The analysis guided the process which created and identified policy themes with those which discussed, determined and implemented policy responses. The analysis led the processes which created and developed some re-conceptualisations of key issues associated with social enterprise. After identifying patterns inductively and deductively and examining similarities, differences and general themes, the finalised themes were summarised at the end of the Chapters with brief concluding remarks.

### DISCUSSIONS OF THEMES: Deconstruction of Social Enterprise Policy

This section of the Chapter compares and contrasts the themes derived from empirical analysis of the qualitative data. The themes were categorised based on political transcripts from the UK Parliament and policy documents that were published by the UK Government and social enterprise sector. These themes were further examined within the representative policy agenda and other relevant documents related to social enterprise.

Developed themes in this research are the subjects which have been widely examined. The individual issues of social enterprise concept, support, application, funding, building a partnership, trust building, and social outsourcing have been major research concerns in social science, business studies, economics and other unexpected fields of study. However, the themes in this research have value in terms of the insight that country and context specific examination suggests new perspectives on patent issues. Moreover, this approach is also able to provide written evidences and motivation for further research.

On the basis of this value, this concluding Chapter seeks to draw together the research that has been conducted under the general direction of the central research question:

- “How has social enterprise policy been shaped and functioned in the UK during 2006-2010?”

In this section of discussion, I address the first question on the boundary of the question above, named “*What are the main themes of social enterprise policy in political, economic and social context?*”, and attempt to suggest broad discussion on related themes in each context.

## **Political Interests on Social Enterprise**

In the political arena, social enterprises are normally discussed as an object of legislation (Defourny & Nyssens, 2010). Chapter 5 in this research addressed the question *“what kind of political agenda for social enterprise have been discussed in the UK Parliament during 2006-2016”*. Exploring the discussions, statements and contentions of MPs and peers, the Chapter categorised the political concerns of social enterprise into three subjects.

The first political interest was conceptual framing social enterprise. To explain the necessity, promote a better policy environment, respond to the crisis of capitalism, and encourage participation, politicians have firstly debated how to achieve a consensus on what social enterprise is and determine the strongest and weakest parts of social enterprise. The concepts of social economy and civil society have frequently been discussed in conjunction with related broad issues such as definitions, differences, roles and advantages. Compared to the definition adopted in this research, political discussions on conceptualising social enterprise revealed different characteristics. As discussed in Chapter 2, social enterprise is described as “the business that selling goods and services for social purpose and reinvest their profit to their own business or a community”. However, politicians have attempted to understand social enterprise in the boundary of social/public missions, object to financial incentives and investment and have implemented mechanisms to draw cross-national cooperation to deal with the crisis of economy/capitalism. Although these aspects can be accepted to structure the legal and supporting framework of social enterprise, the understanding on the features of social enterprise in a political context is far removed from the basic concept of social enterprise. This understanding might lead the social enterprise toward passive public service delivery organisations relying on governmental support.

Secondly, the discussion focused on how to support social enterprises. The debates are twofold: enacting legislation and developing funding methods. Here, investment and social enterprise protection strategy has been discussed, and ways of addressing less competitive aspects of social enterprise capacity such as the lack of legal structure, unsustainable funding, and lack of financial independence are issues. The discussion has taken place in the conceptualised boundary of social enterprise and more detailed sectoral policy plans to support social enterprises have also been explored. There was a notable discussion while debating the Public Service Bill. MPs focused on the direction of the bill to support the weak social enterprise sector with regard to disadvantageousness in the business world rather than emphasising competitive improvement. Harriett Baldwin indicated the drawback of this

discussion and suggested a different view that coincides with the social enterprise definition in terms of sustainable business and public sector privatisation. Lord Warner also suggested a critical opinion that the government provides excessive financial support to social enterprise.

The most recent argument is that the financial structure of social enterprise relies heavily on government funding and the real estate market, so when these sources simultaneously declined social enterprise experienced a revenue shock that pushed it towards insolvency (Soh, et al., 2016, p. 246). This means that governmental support for social enterprise, especially financial support, is two-sided; the policy approach to a social enterprise (an independent organisation that performs independent missions) needs to be more careful not to hamper its growth and development.

The last category of political discussion is the application of social enterprise. With regard to this subject, parliamentary debate provides two policy themes: health care and disability employment. In accordance with alleviating social issues, the two issues were especially magnified in political debate between 2006 and 2016. It is true that the terms health care crisis and unemployment have frequently been mentioned as major social issues. The UK government launched a health care reform provision and work programme to support unemployed people through Jobcentre Plus aside from the application plan of social enterprise. This was a massive project in terms of budget and scale. This point led to the same question highlighted in Chapter 2: in terms of size and scale, do social enterprises really help to solve those problems? Milway (2014) suggests the answer in three aspects: 1) Social enterprises approach the issues innovatively (e.g. technology, education, global platforms) and the massive social issues are not related to the size of the organisation; 2) As the leaders of social enterprises attempt to resolve the problem in a way of teams through collaborations with other sectors, NPOs, CSOs, which means social enterprises approach the problems in a multiple and integrated way; and 3) By amplifying issue through campaigning and collaborating, social enterprises are able to resolve problems (Milway, 2014).

In the section of categorising political discussion, the research recognised that the political interests of social enterprise are much closer to supporting social enterprise; the critical issue of resource dependency of social enterprises was therefore considered.

## **The Shape of Social Enterprise Policy in the Economic Context**

Chapter 6 explored the Government's economic strategy of using social enterprise to revitalise the economy and public services. The emerging economic crises were one of the challenges to be tackled by the government; 'rehabilitating local economy' and 'improving business environment' have been revealed as government economic strategies within the context of their economic difficulties. For detailed policy instruments, the Government selected improvements in the supporting system and introduced various funding system, investment programmes and enactments to provide a better business environment for social enterprise. The majority of programmes supporting social enterprise consist of funding.

Confusions may remain regarding what is different between public services that are delivered directly and funding social enterprise to deliver public services. How can the government lead regional economic development and improve the business environment of social enterprise fundamentally and in practice? Firstly, efficiency of social enterprise funding issue was explained in diversification of funding sources. Chapter 6 clarified that the source of funding is not solely governmental support. Social investors, the private sector and the voluntary sector are raising fund to support organisations which achieve their missions, and the role of government is to provide the stage for funders in faith and securely as well as funding them directly. Secondly, if this successful funding grows social enterprises, is it really helpful to the local economy? As we discussed in Chapter 2, social enterprises originally intended to address local problems in innovative ways and invest in the local community. According to case studies collected by Thompson & Doherty (2006), social enterprises utilise community assets and resources to create local benefits, and they are usually inspired and motivated to make a difference in their community. Together with the unique features of social enterprises, voluntary participation, collaboration with other sectors, innovative ideas of social entrepreneurs are the main sources of sustaining a local economy; moreover, profit reinvestment in their own businesses, as described in the definition, enables proliferation.

## **The Shape of Social Enterprise Policy in the Social Dimension**

Chapter 7 explored how social issues shaped policy responses and support given to social enterprises from 2006 to 2016. The Chapter found three main thematic categories relating to public service reform and community empowerment over the period: partnership, trust

and social outsourcing. Firstly, the Government encouraged public, private and social enterprise partnerships with the purpose of strengthening communities and ensuring an efficient public service delivery system. Policy objectives in this category are threefold: to foster a culture of social enterprises; to enable social enterprises to work with the Government; and restructuring the social enterprise sector so it is more able to access business and support information. Secondly, the government policy intends to build public trust to work more efficiently. Enacting regulation, setting up commissioning institutions and grouping were the main policy instruments used to accomplish the goal of trust. Thirdly, the government introduced the concept of social outsourcing to empower the community capacity to tackle social problems and ensure the social enterprise sector became more involved in public services such as adult and child care.

Synthesising the findings in this context, they are described as the ‘hand over of authority for public service delivery’. Building a partnership, trust and social outsourcing, in turn, are related to cutting back the role of government and empowering the private and third sectors. This kind of context inevitably entails privatisation issues. The criticism of the Big Society describes this issue well. As Cameron stated, the coalition government intended to empower individuals and communities through ‘Big Society’ ethos. As Cameron States:

*“the Big Society is about a huge culture change, where people, in their everyday lives, in their homes, in their neighbourhoods, in their workplace, don’t always turn to officials, local authorities or central government for answer to the problems they face but instead feel both free and powerful enough to help themselves and their own communities”*

The coalition government emphasised the role of community, civil society and voluntary sector. This policy agenda was referred to as a proper solution to the community resilience, however there were critics who argued against this positive review.

The criticism of Big Society is categorised into two strands.

Firstly, Big Society was criticised for excusing government cuts and withdrawal of support. Lowndes & Pratchett (2012) introduced the Ed Miliband’s statement cited in Watt (2010): “(Big Society is) cynically attempting to dignify its cuts agenda, by dressin gup the withdrawal fo support with the language of reinvioring civil society” (p. 31). Evans (2011) argued that the Government needed to stop interrupting the nature of the voluntary sector through the Big Society even though emphasising voluntary activities to deliver public

services was a cheaper option. He stated that governmental support for the voluntary sector disturbed a voluntary funding system, leading to increased reliance on the government. Kisby (2010) argued that the idea of transferring the authority of core public services to charities and volunteers rather than the state without specific plans is the most risky strategy. Furthermore, Glasman (2010) stated that “Any notion of reciprocity and solidarity is subordinated to the demands of financial markets for deficit reduction” (p.62). In those arguments, Big Society is rhetoric to cover the deficits of the government and reflected an intention to shift governmental responsibility to society.

Secondly, Big Society has been referred to as a new means of privatising the state. Grayson (2011) and Mobiot (2011) stated that the policy included a wide range of private enterprises and business engagement to the actor of public services (cited in Lowndes & Pratchett, 2012). Especially, Big Society mobilised various third sector organisations into the public service delivery, the quality of public service, funding sources to third sector organisations, and the relationship between civil society had simultaneously weakened together with the horizontal supporting system and fiscal difficulty of the Government (Alcock, 2010).

These criticisms of Big Society policy seem similar to the policy themes derived from Chapter 7. Three themes - partnership, trust and social outsourcing - can be criticised for the same reasons. From the findings and discussions of social enterprise policy in social dimension, the thesis has determined that the governmental policy intends to develop solidarity and mobilise various organisations to address social issues. Developing an innovative way of governing is absolutely necessary, but criticism needs to be considered to achieve policy intention successfully.

## THE REFRAMING OF THE POLICY AGENDA AS A CROSS-CUTTING THEME

*“What are the major issues the UK government intended to address through social enterprise policy during 2006-2016?”*

When considering social enterprise policy-making over the last ten years, the most significant themes shaping the debate are threefold: community empowerment, social investment and partnership.

First, the intentions of community empowerment have been found as a consistent consideration. Parliamentary records provided evidence that local community development

through social enterprises was the government's economic strategy and was supported by individual funding programmes.

Second, the Government mainly uses the concept of social investment to support social enterprise. The concept of social investment means that not only government but also investors support voluntary organisations including social enterprises to invest resources. In Parliament, social investment was presented as a way of supporting social enterprises and was viewed as a means of funding social enterprise in terms of the government economic strategy. Further, social investment is recognised as a means through which social enterprises remain sustainable public service providers.

Third, partnerships between the public, private and social enterprise sectors gained prominence during 2006-2016 and can be seen in Parliamentary debates on the application of social enterprise, the tactics of developing local communities, and the support given to social enterprises across political, economic and social contexts.

Those themes are integrated in two domains: policy intention to support social enterprises and to share/transfer the public service provision to other sectors including social enterprises.

## CONTRIBUTION TO SOCIAL ENTERPRISE KNOWLEDGE

This research claims that social enterprises are deeply embedded in policy discourses and discussions of political, economic and social issues. It also claims that the development of social enterprise policies by the government are related to factors such as appropriately defining, sustaining and developing social enterprise, responding to economic difficulties, and tackling social problems.

This research has established that the UK's social enterprise policy was based on a belief in community empowerment, social investing and forming partnerships. The broader literature reveals that social enterprise has three main theoretical dimensions: a mixture of goals, mobilising different market and non-market resources to sustain the public benefit mission, and how the concept is embedded in the political context (Defourny & Nyssens, 2006, pp. 10-11). This section of the Chapter sought to draw together a number of primary threads in this thesis by answering one question, namely *"to what extent is the UK policy getting close to the concept of social enterprise in practice?"*.

First, a complex mixture of goals has been evidenced within this research. In every policy process throughout the political, economic and social context, social enterprise has been presented as an innovative and efficient tool to address complicated problems in Chapters 5, 6 and 7. The social enterprise theory argues that the social enterprise mission consisted of at least three different categories of goals amongst social goals, benefit to the community, economic goals, socio-political goals, and producing social capital (Defourny & Nyssens, 2006, p. 10). In addition, the theory provides the following description: “social enterprises may translate not only into a will to co-operate with economic, social and political actors through the development of various networks but also into the implementation of democratic decision-making process, in specific working conditions, or in the promotion of volunteering” (Defourny & Nyssens, 2006, p. 10). These arguments fit the description of the theme ‘partnership’ and are one of the main reasons for social enterprise funding as established in Chapter 6. Consequently, this thesis seems to support the existing theory with the exception of the democratic decision-making process.

Second, the literature suggests that social enterprises mobilise different kinds of market and non-market resources to sustain their public benefit mission through trade goods and services (market); public financing for the public mission; and reliance upon volunteer resources (Defourny & Nyssens, 2006, p. 10). This part of the theory is connected to social enterprise policy in government economic strategy (Chapter 6) and social investment, which is another way of talking about social enterprise funding. From the perspective of the social enterprise sector, social investment is defined as the provision and use of finance to generate social and financial returns and supporting time and money to run voluntary or community organisations (Brown & Norman, 2011; Cabinet Office, 2011d, p. 19). In terms of the social enterprise sector, social investment is referred to as resources to be mobilised. Laville and Nyssens (2001) point out that an advantage of business with social enterprises is reducing the transaction cost and production cost through easier co-ordination among agents, high motivation, the use of donations, volunteers and better involvement of users (Defourny & Nyssens, 2006, p. 10). In the research, this argument has a thread of connection to the main assumption of why the government and investors support social enterprise. The data indicated ‘efficiency’ as an answer of this question.

Third, the theory presumes that social enterprises are embedded in the political context (Defourny & Nyssens, 2006, p. 10). This has clearly been established in the research. Themes generated in the political debates suggested a comprehensive frame to analyse social

enterprise policy in the economic and social context (Chapters 6 and 7). The derived themes of social enterprise policy from the economic and social context were similarly shaped as themes from political debates. Therefore, the statement “public policies in the field of social enterprises are the result of interactions between the promoters of the latter and representatives of public body” is supported by the thesis findings of this research (Defourny & Nyssens, 2006, p. 11).

The first contribution of this thesis to the field of social enterprise policy is understanding of in-depth features of social enterprise. Social enterprise appears more clearly through the key findings of community empowerment, social investment and partnerships and sub-themes.

The second contribution is that policy themes and the policy process in this research provide evidence to counter the criticism of promoting social enterprise as an actor for public service delivery. It has done so by demonstrating how social enterprises are working in the policy system from the political, economic and social perspectives.

Finally, this research has identified social enterprise policy in three different dimensions and presented the policy responding to economic and social difficulties assists, thus helping policy makers in drawing up future strategy, especially in an era of uncertainty after Brexit.

## LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FUTURE RESEARCH

This thesis has offered a critical perspective towards understanding of social enterprise policy in the political, economic and social context. The thesis has some limitations as it focused on the policy context and policy instruments of social enterprise, which relies primarily on government produced documents. Consequently, alternative views may not be captured.

Another possible limitation was that the selected data cannot address every policy issue around social enterprise. Following the thematic analysis process, the initial framework of analysis was established beforehand through theories or policy trends in each context. Therefore, the study of the unit of analysis was performed at a broad level and there are some short-comings of such an approach. Having focused on a broad level of unit of analysis, it could be seen, especially from those who extensively rely on in-depth details of social enterprise policy, that this thesis has lacked concentration on wider circumstances.

Finally, it has not considered the influence of policy and its linkage to policy outcomes. Most policy studies based on the combination of policy evaluation and analysis of policy process identify a causal relationship between cause and effect. However, this research focused on discovering policy themes and their surrounding context.

For future explorations, it is suggested that research could analyse and research policy transformation and policy implications at further levels of study. This could include studying the effect of government policy and tracing development of policy from either a government perspective, such as looking at performance, or in connection with more specific circumstances, especially in relation to the global economic crises and also in relation to some distinct turning point; this should be possible and could also enhance some understanding regarding the effectiveness, validity, and performance of social enterprise policy.



## ABBREVIATIONS

ACEVO	Association of Chief Executives of Voluntary Organisations
ACF	Association of Charitable Foundations
BIS	The Department for Business, Innovation, and Skills
BLS	Bureau of Labour Statistics
BVC	Big Venture Challenge
CDCs	Community Development Corporations
CFN	Community Foundation Network
CICs	Community Interest Companies
CIO	Charitable Incorporated Organisation
CLG	Company Limited by Guarantee
CLS	Company Limited by Shares
Co-op	Co-operative
CSR	Corporate Social Responsibility
CTA	Community Transport Association
DfE	Department for Education
DfEs	Department for Education and Skills
DfT	Department for Transport
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EU	European Union
GDP	Gross Domestic Product
IPS	Industrial and Provident Society
IR	International Relations
JCP	Jobcentre Plus
KSEPA	Korea Social Enterprise Promotion Agency
LDA	London Development Agency
LIFT	Local Investment in Future Talent

MPs	Members of Parliament
NAVCA	The National Association for Voluntary and Community Action
NCVO	National Council for Voluntary Organisation
NHS	National Health Service
NPC	New Philanthropy Capital
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
ONS	Office for National Statistics
Org.	Organisation
PCTs	Primary Care Trusts
PPP	Public Private Partnership
RDAs	Regional Development Agencies
SEC	Social Enterprise Coalition
SEL	Social Enterprise London
SEs	Social Enterprises
SEU	Social Enterprise Unit
SEUK	Social Enterprise UK
SIBs	Social Impact Bonds
TSRC	Third Sector Research Centre
UK	United Kingdom
US	United States
USA	United States of America
VCSEs	Voluntary, Community, Social Enterprises
WMSEP	West Midlands Social Economy Partnership

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